

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
- - - ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended July 31, 1998, or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
- - - ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____
Commission file number 0-19133

FIRST CASH, INC.

(Exact name of registrant as specified in its charter)

Delaware
(state or other jurisdiction of incorporation or organization)

75-2237318
(IRS Employer Identification No.)

690 East Lamar Blvd., Suite 400
Arlington, Texas 76011
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (817) 460-3947

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value \$.01 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by nonaffiliates of the registrant, based upon the last reported sales price on the Nasdaq Stock Market on October 26, 1998 is \$37,860,342. As of October 26, 1998, there were 7,883,346 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Company's Proxy Statement in connection with its Annual Meeting of Stockholders to be held on January 14, 1999 is incorporated by reference in Part III, Items 10, 11, 12 and 13.

FIRST CASH, INC.
FORM 10-K

For the Fiscal Year Ended July 31, 1998

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PART I

Item 1. Business

General

First Cash, Inc. (the "Company") is the third largest publicly traded pawnshop operator in the United States and currently has 92 pawn stores in Texas, Oklahoma, Washington, D.C., Maryland, Missouri and Virginia. The Company's pawnshops engage in both consumer finance and retail sales activities. The Company's pawnshops provide a convenient source for consumer loans, lending money against pledged tangible personal property such as jewelry, electronic equipment, tools, firearms, sporting goods and musical equipment. These pawn stores also function as retailers of previously-owned merchandise acquired in forfeited pawn transactions and over-the-counter purchases from customers.

The Company also currently owns 15 check cashing stores in California and Washington. These check cashing stores provide a broad range of consumer financial services, including check cashing, money order sales, wire transfers and short-term unsecured advances ("payday advances"). The Company also owns a software company in California which provides computer hardware and software to third party check cashing operators, as well as ongoing technical support. For the fiscal year ended July 31, 1998, the Company's revenues were derived 64% from retail activities, 34% from lending activities, and 2% from other sources, including check-cashing fees.

Management believes the pawnshop industry is highly fragmented with approximately 15,000 stores in the United States and is in the early stages of achieving greater efficiencies through consolidation. The five publicly traded pawnshop companies operate less than 6% of the total pawnshops in the United States. Management believes significant economies of scale, increased operating efficiencies, and revenue growth are achievable by increasing the number of stores under operation and introducing modern merchandising techniques, point of-sale systems, improved inventory management and store remodeling. The Company's objectives are to increase consumer loans and retail sales through selected acquisitions and new store openings and to enhance operating efficiencies and productivity. During fiscal 1998, 1997 and 1996, the Company added 29, 7 and 7 pawn stores to its network, respectively, net of stores consolidated. The Company made its initial entry into the check cashing business during fiscal 1998, with the purchase of 11 stores in California and Washington. Management estimates there are approximately 7,000 such check cashing locations throughout the United States.

The Company was formed as a Texas corporation in July 1988 and in April 1991 the Company reincorporated as a Delaware corporation. Except as otherwise

indicated, the term "Company" includes its wholly owned subsidiaries, American Loan & Jewelry, Inc., Famous Pawn, Inc., JB Pawn, Inc., Miraglia, Inc., Capital Pawnbrokers, Inc., Silver Hill Pawn, Inc., and Elegant Floors, Inc. The Company's principal executive offices are located at 690 East Lamar Blvd., Suite 400, Arlington, Texas 76011, and its telephone number is (817)460-3947.

Industry

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The pawnshop industry in the United States is an established industry, with the highest concentration of pawnshops being in the Southeast and Southwest. The operation of pawnshops is governed primarily by state laws, and accordingly, states that maintain pawn laws most conducive to profitable operations have historically seen the greatest development of pawnshops. The Company believes that the majority of pawnshops are owned by individuals operating one to three locations. Management further believes that the highly fragmented nature of the industry is due among other factors to the lack of qualified management personnel, the difficulty of developing adequate financial controls and reporting systems, and the lack of financial resources.

In recent years, several pawn operators have begun to develop multi-unit chains through acquisitions and new store openings. As of October 26, 1998, the five publicly traded pawnshop companies operated approximately 800 stores in the United States. Accordingly, management believes that the industry is in the early stages of consolidation.

The check cashing industry is a relatively new industry, and management estimates that there are approximately 7,000 check cashing locations throughout the United States. Some states have enacted formal check cashing laws which regulate the amount of fees that operators may charge for cashing checks, and in some cases states have regulated the amount of service charges that may be charged on small consumer advances, commonly referred to as "payday advances". Management believes that at least half of the check cashing locations in the United States are operated by individuals owning from one to ten locations. Management further believes that this fragmented nature of the industry is due among other factors to the lack of qualified management personnel, the difficulty of developing adequate financial controls and reporting systems, and the lack of financial resources.

Business Strategy

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The Company's business plan is to continue a growth strategy of expansion through selected acquisitions and new store openings and to enhance operating efficiencies and productivity at both newly acquired and existing pawn and check cashing stores.

Acquisitions and New Store Openings

Because of the highly fragmented nature of both the pawnshop industry and the check cashing industry, as well as the availability of "mom & pop" sole proprietor pawnshops willing to sell their stores, the Company believes that acquisition opportunities as well as favorable new store locations exist. Therefore, the Company intends to expand through a combination of acquisitions and start-up stores.

The timing of any future acquisitions is based on identifying suitable stores and purchasing them on terms that are viewed as favorable to the Company. Before making an acquisition, management typically studies a demographic analysis of the surrounding area, considers the number and size of competing stores, and researches regulatory issues. Specific pawn store acquisition criteria include an evaluation of the volume of annual loan transactions, outstanding loan balances, historical redemption rates, the quality and quantity of inventory on hand, and location and condition of the facility, including lease terms. Factors involved in evaluating the acquisition of check cashing stores include the annual volume of transactions, location and condition of facilities, and a demographic evaluation of the surrounding area to determine the potential for the Company's payday advance product.

The Company has opened eleven new pawnshops and one new check cashing store since its inception and currently intends to open additional pawn and check cashing stores in locations where management believes appropriate demand and other favorable conditions exist. Management seeks to locate new stores where demographics are favorable and competition is limited. It is the Company's experience that after a suitable location has been identified and a lease and licenses are obtained, a new store can be ready for business within six weeks. The investment required to open a new pawn store includes inventory, funds available for pawn loans, store fixtures, security systems, computer equipment, and start-up losses. Although the total investment varies and is difficult to predict for each location, it has been the Company's experience that between \$200,000 and \$300,000 is required to fund a new pawn store for the first six

months of operation. Because existing pawn stores already have an established customer base, loan portfolio, and retail-sales business, acquisitions generally contribute more quickly to revenues than do start-up stores. The Company estimates that approximately \$100,000 to \$150,000 is required to fund a new check cashing store for the first six months of operation, and includes investments for leasehold improvements, equipment, store operating cash, and start-up losses.

Store Clusters

Whether acquiring an existing store or opening a new store, the Company seeks to establish clusters of several stores in a specific geographic area in order to achieve certain economies of scale relative to supervision, purchasing and marketing. In Texas, such clusters have been established in the Dallas/Fort Worth metropolplex, the Rio Grande Valley area, the Corpus Christi area and the El Paso area. Store clusters have also been established in the St. Louis, Missouri area, the Oklahoma City, Oklahoma area, in Washington D.C. and its surrounding Maryland suburbs, in Baltimore, Maryland, in Northern California, and in the Pacific Northwest. The Company currently plans to continue its expansion in existing markets in Texas, Missouri, Maryland, Virginia, Northern California and the Pacific Northwest, and to enter new markets in other states with favorable demographics and regulatory environments.

Enhance Productivity of Existing and Acquired Stores

The primary factors affecting the profitability of the Company's existing store base are the level of loans outstanding, the volume of retail sales and gross profit on retail sales, the volume of check cashing and related consumer financial services, and the control of store expenses. To increase customer traffic, which management believes is a key determinant to increasing its stores' profitability, the Company has taken several steps to distinguish its stores from traditional pawn and check cashing stores and to make customers feel more comfortable. In addition to well-lit parking facilities, several of the stores' exteriors display an attractive and distinctive awning similar to those used by contemporary convenience and video rental stores. The Company also has upgraded or refurbished the interior of certain of its stores and improved merchandise presentation by categorizing items into departments, improving the lighting and installing better in-store signage.

Operating Controls

The Company has an organizational structure that it believes is capable of supporting a larger, multi-state store base. Moreover, the Company has installed an employee training program for both store and corporate-level personnel that stresses productivity and professionalism. Each store is monitored on a daily basis from corporate headquarters via an online, real-time computer network, and the Company has strengthened its operating and financial controls by increasing its internal audit staff as well as the frequency of store audit visits. Management believes that the current operating and financial controls and systems are adequate for the Company's existing store base and can accommodate reasonably foreseeable growth in the near-term.

Pawn Lending Activities

The Company's pawnshops loan money against the security of pledged goods. The pledged goods are tangible personal property generally consisting of jewelry, electronic equipment, tools, firearms, sporting goods and musical equipment. The pledged goods provide security to the Company for the repayment of the loan, as pawn loans cannot be made with personal liability to the borrower. Therefore, the Company does not investigate the creditworthiness of the borrower, relying instead on the marketability and sale value of pledged goods as a basis for its credit decision. The Company contracts for a pawn service charge in lieu of interest to compensate it for the loan. The statutory service charges on loans at its Texas stores range from 12% to 240% on an annualized basis depending on the size of the loan, and from 36% to 240% on an annualized basis at the Company's Oklahoma stores. Loans made in the Maryland stores bear service charges of 144% to 240% on an annualized basis, while loans in Virginia earn 120% to 180% annually. In Washington, D.C., a flat \$2 charge per month applies to all loans of up to \$40, and a 48% to 60% annualized service charge applies to loans of greater than \$40. In Missouri, loans bear a total service and storage charge of 240% on an annualized basis. As of July 31, 1998, the Company's average loan per pawn ticket was approximately \$88. Pawn service charges during fiscal 1998, 1997 and 1996 accounted for approximately 58%, 61% and 62%, respectively, of the Company's total gross profit.

At the time a pawn transaction is entered into, a pawn loan agreement, commonly referred to as a pawn ticket, is delivered to the borrower that sets forth, among other items, the name and address of the pawnshop, borrower's name, borrower's identification number from his/her driver's license or other identification, date, identification and description of the pledged goods,

including applicable serial numbers, amount financed, pawn service charge, maturity date, total amount that must be paid to redeem the pledged goods on the maturity date, and the annual percentage rate.

The amount the Company is willing to finance typically is based on a percentage of the estimated sale value of the collateral. There are no minimum or maximum loan to fair market value restrictions in connection with the Company's lending activities. The basis for the Company's determination of the sale value include such sources as catalogs, blue books and newspapers. The Company also utilizes its computer network to recall recent selling prices of similar merchandise in its own stores. These sources, together with the employees' experience in selling similar items of merchandise in particular stores, influence the determination of the estimated sale value of such items. The Company does not utilize a standard or mandated percentage of estimated sale value in determining the amount to be financed. Rather, the employee has the authority to set the percentage for a particular item and to determine the ratio of loan amount to estimated sale value with the expectation that, if the item is forfeited to the pawnshop, its subsequent sale should yield a gross profit margin consistent with the Company's historical experience. It is the Company's policy to value merchandise on a conservative basis to avoid the risks associated with over-valuation. The pledged property is held through the term of the loan, which is 30 days in Texas, Missouri, Virginia, Oklahoma and Maryland, with an automatic extension period of 15 to 60 days depending on state laws, unless the loan is earlier paid or renewed. In Washington, D.C., pledged property is held for 30 days. Historically, approximately 70% of loans made have either been paid in full or renewed. In the event the borrower does not pay or renew a loan within 90 days in Texas and Missouri, 60 days in Oklahoma, 45 days in Maryland and Virginia, and 30 days in Washington, D.C., the unredeemed collateral is forfeited to the Company and becomes inventory available for general liquidation or sale in one of the Company's stores. The Company does not record loan losses or charge-offs because if the loan is not paid, the principal amount loaned plus the 30 days of accrued pawn service charges becomes the carrying cost of the forfeited collateral ("inventory") that is recovered by sale.

The recovery of the principal and accrued pawn service charge as well as realization of gross profit on sales of inventory is dependent on the Company's initial assessment of the property's estimated sale value. Improper assessment of the sale value of the collateral in the lending function can result in reduced marketability of the property and sale of the property for an amount less than the principal plus accrued pawn service charge. For fiscal 1998, 1997 and 1996, the Company's annualized yield on average pawn loan balance was 136%, 134% and 137%, respectively.

Payday Advance Activities

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The Company's check cashing stores make unsecured, short-term advances in which the customer writes the store a personal check in exchange for cash, net of a transaction fee. Fees for payday advances are regulated by state law and are 15% of the borrowed amount per transaction in California and Washington. The term of these advances is thirty days or less. Service charges for payday advances, which relate only to the period from June 4, 1998 to July 31, 1998, accounted for approximately 2% of the Company's total gross profit for fiscal 1998.

To qualify for a payday advance, customers generally must have proof of steady income, a checking account with a minimum of returned items within a specified period, and valid identification. Upon completing an application for the advance and approval by store personnel, the customer writes a check on their personal checking account, in exchange for the cash advance. The Company deducts the applicable service charge at the inception of the advance. At maturity, the customer may either return to the store and pay off the advance with cash, in which case the check is returned to the customer, or the store can deposit the check into its checking account. A significant amount of payday advance checks deposited by the Company are returned by the bank, and recorded as bad debts by the Company as a charge to operating expense. A large percentage of these bad debts are subsequently collected by the Company through various means. The profitability of the Company's check cashing stores is dependent upon adequate collection of these returned items.

Retail Activities

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The Company acquires merchandise inventory primarily through forfeited pawn loans and purchases of used goods from the general public. Sales of inventory during fiscal 1998, 1997 and 1996 accounted for approximately 64.4%, 66.0% and 65.3%, respectively, of the Company's total revenues for these periods. For fiscal 1998, 1997 and 1996, the Company realized gross profit margins on merchandise sales of 33.0%, 31.0% and 32.7%, respectively.

By operating multiple stores, the Company is able to transfer inventory between stores to best meet consumer demand. The Company has established the necessary internal financial controls to implement such inter-store transfers.

Merchandise acquired by the Company through defaulted pawn loans is carried in inventory at the amount of the related pawn loan plus service charges accrued for the initial 30-day term. Management believes that this practice lessens the likelihood that the Company will incur significant, unexpected inventory devaluations.

The Company does not provide financing to purchasers of its merchandise nor does it give the prospective buyer any warranties on the merchandise purchased. Nevertheless, the Company may, at its discretion, refund purchases if merchandise is returned because it was damaged or not in good working order when purchased. The Company permits its customers to purchase inventory on a "layaway" plan. Should the customer fail to make a required payment, the item is returned to inventory and previous payments are forfeited to the Company.

Pawnshop Operations

The typical Company store is a free-standing building or part of a small retail strip shopping center with adequate, well-lit parking. Management has established a standard store design intended to distinguish the Company's stores from the competition. The design consists of a well-illuminated exterior with a distinctive awning and a layout similar to a contemporary convenience store or video rental store. The Company's stores are typically open six to seven days a week from 9:00 a.m. to between 6:00 p.m. and 9:00 p.m.

The Company's computer system permits a store manager or clerk to recall rapidly the cost of an item in inventory, the date it was purchased as well as the prior transaction history of a particular customer. It also facilitates the timely valuation of goods by showing values assigned to similar goods in the past. The Company has networked its stores to permit the Company's headquarters to more efficiently monitor each store's operations, including sales, interest income, loans written and redeemed, and changes in inventory.

The Company attempts to attract retail shoppers seeking bargain prices through the use of seasonal promotions, special discounts for regular customers, prominent display of impulse purchase items such as jewelry and tools, tent sales and sidewalk sales, and a layaway purchasing plan. The Company attempts to attract and retain pawn loan customers by lending a competitively large percentage of the estimated sale value of items presented for pledge and by providing quick loan, renewal and redemption service in an appealing atmosphere.

As of October 26, 1998, the Company operated pawn stores in the following markets:

	Number of Locations

Texas:	

Dallas/Fort Worth metropolitan area.....	27
Corpus Christi.....	9
South Texas.....	14
El Paso.....	3

	53

Missouri:	

St. Louis metropolitan area.....	3

	3

Oklahoma:	

Oklahoma City.....	5

	5

Mid Atlantic:	

Baltimore, Maryland.....	7
Washington, D.C. and surrounding Maryland suburbs...	23
Virginia.....	1

	31

Each pawnshop employs a manager, one or two assistant managers, and between one and eight sales personnel, depending upon the size, sales volume and location of the store. The store manager is responsible for supervising personnel and assuring that the store is managed in accordance with Company guidelines and established policies and procedures. Each manager reports to an area supervisor who typically oversees three to five store managers. Each area supervisor reports to one of three regional vice-presidents. The Company's twenty area supervisors and regional vice-presidents have an average of eight years experience in the pawn industry.

The Company believes that profitability of its pawnshops is dependent, among other factors, upon its employees' ability to make loans that achieve optimum redemption rates, to be effective sales people and to provide prompt and courteous service. Therefore, the Company trains its employees through direct instruction and on-the-job loan and sales experience. The new employee is introduced to the business through an orientation and training program that includes on-the-job training in lending practices, layaways, merchandise valuation and general administration of store operations. Certain experienced employees receive training and an introduction to the fundamentals of management to acquire the skills necessary to advance into management positions within the organization. Management training typically involves exposure to income maximization, recruitment, inventory control and cost efficiency. The Company maintains a performance-based compensation plan for all store employees, based, among other factors, on sales, gross profits and special promotional contests.

Check Cashing Operations

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The Company's check cashing locations are typically part of a small retail strip shopping center with adequate, well-lit parking. Management has established a standard store design intended to distinguish the Company's stores from the competition. The design consists of a well-illuminated exterior with a lighted sign, and distinctive, conservative window signage. The interiors usually feature an ample lobby, separated from employee work areas by floor-to-ceiling teller windows. The Company's stores are typically open six to seven days a week from 9:00 a.m. to between 6:00 p.m. and 9:00 p.m.

Computer operating systems in the Company's check cashing stores allow a store manager or clerk to recall rapidly customer check cashing histories, payday advance histories, and other vital information. The Company attempts to attract customers primarily through television advertisements and yellow page advertisements.

As of October 26, 1998, the Company operated check cashing stores in the following markets:

	Number of Locations
Northern California.....	13
Washington.....	2

	15
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Each check cashing store employs a manager, an assistant manager, and between three and eight tellers, depending upon the size, sales volume and location of the store. The store manager is responsible for supervising personnel and assuring that the store is managed in accordance with Company guidelines and established policies and procedures. Each manager reports to a district manager who typically oversees two to three store managers.

Competition

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The Company encounters significant competition in connection with all aspects of its business operations. These competitive conditions may adversely affect the Company's revenues, profitability and ability to expand.

The Company competes primarily with other pawnshops and check cashers. Both the pawnshop and check cashing industries are characterized by a large number of independent owner-operators, some of whom own and operate multiple locations. The Company believes that the primary elements of competition in these businesses are store location, the ability to lend competitive amounts on

both pawn loans and payday advances, customer service, and management of store employees. In addition, the Company competes with financial institutions, such as consumer finance companies, which generally lend on an unsecured as well as on a secured basis. Other lenders may and do lend money on terms more favorable than those offered by the Company. Many of these competitors have greater financial resources than the Company.

In its retail operations, the Company's competitors include numerous retail and wholesale stores, including jewelry stores, gun stores, discount retail stores, consumer electronics stores and other pawnshops. Competitive factors in the Company's retail operations include the ability to provide the customer with a variety of merchandise items at attractive prices. Many retailers have significantly greater financial resources than the Company.

In addition, the Company faces competition in its acquisition program. There are several other publicly held pawnshop and check cashing companies, including Cash America International, Inc., ACE Cash Express, Inc. and EZCORP, Inc., that have announced active expansion and acquisition programs as well. Management believes that the increased competition for attractive acquisition candidates may increase acquisition costs.

Pawnshop Regulation

The Company is subject to extensive regulation, supervision and licensing under various federal, state and local statutes, ordinances and regulations.

Texas

Pursuant to the terms of the Texas Pawnshop Act, the Texas Consumer Credit Commission ("TCCC") has primary responsibility for the regulation of pawnshops and enforcement of laws relating to pawnshops in Texas.

The Texas Pawnshop Act prescribes the stratified loan amounts and the maximum allowable pawn service charges which pawnbrokers in Texas may charge for the lending of money within each stratified range of loan amounts. The maximum allowable pawn service charges were established and have not been revised since 1971 when the Texas Pawnshop Act was enacted. Since 1981, the ceiling amounts for stratification of the loan amounts to which those rates apply have been revised and will continue to be reviewed and be subject to annual revision on July 1 in relation to the Consumer Price Index. These rates are reviewed and established annually. The Texas Pawnshop Act also prescribes the maximum allowable pawn loan, which is currently \$11,500. The maximum allowable pawn service charges under the Texas Pawnshop Act for the various loan amounts for the previous and current year are as follows:

Year Ended June 30, 1998		Year Ending June 30, 1999	
Amount Financed Per Pawn Loan	Maximum Allowable Annual Percentage Rate	Amount Financed Per Pawn Loan	Maximum Allowable Annual Percentage Rate
\$ 1 to \$ 135	240%	\$ 1 to \$ 138	240%
\$ 136 to \$ 450	180%	\$ 139 to \$ 460	180%
\$ 451 to \$ 1,350	30%	\$ 461 to \$ 1,380	30%
\$ 1,351 to \$11,250	12%	\$ 1,381 to \$11,500	12%

In addition to establishing maximum allowable service charges and loan ceilings, the Texas Pawnshop Act also provides for the licensing of pawnshops and pawnshop employees. To be eligible for a pawnshop license in Texas, an applicant must (i) be of good moral character, (ii) maintain net assets, as defined in the Texas Pawnshop Act, of at least \$150,000 readily available for use in conducting the business of each licensed pawnshop, (iii) show that the pawnshop will be operated lawfully and fairly in accordance with the Texas Pawnshop Act, and (iv) show that the applicant has the financial responsibility, experience, character and general fitness to command the confidence of the public in its operations. In the case of a business entity, the good moral character requirements apply to each officer, director and holder of 5% or more of the entity's outstanding shares.

As part of the license application process, any existing pawnshop licensee who would be affected by the granting of the proposed application may request a public hearing at which to appear and present evidence for or against the application. For an application for a new license in a county with a population of 250,000 or more, the TCCC must find not only that the applicant meets the other requirements for a license, but also that (i) there is a public need for the proposed pawnshop and (ii) the volume of business in the community in which the pawnshop will conduct business indicates that a profitable operation is probable.

The TCCC may, after notice and hearing, suspend or revoke any license for a Texas pawnshop upon finding, among other things, that (i) any fees or charges have not been paid; (ii) the licensee violates (whether knowingly or without the exercise of due care) any provision of the Texas Pawnshop Act or any regulation or order thereunder; or (iii) a fact or condition exists which, if it had existed at the time the original application was filed for a license, would have justified the TCCC in refusing such license.

Under the Texas Pawnshop Act, a pawnbroker may not accept a pledge from a person under the age of 18 years; make any agreement requiring the personal liability of the borrower; accept any waiver of any right or protection accorded a pledgor under the Texas Pawnshop Act; fail to exercise reasonable care to protect pledged goods from loss or damage; fail to return pledged goods to a pledgor upon payment of the full amount due; make any charge for insurance in connection with a pawn transaction; enter into any pawn transaction that has a maturity date of more than one month; display for sale in storefront windows or sidewalk display cases, pistols, sword canes, blackjacks, and certain other types of knives and similar weapons; or purchase used or second hand personal property or accept building construction materials as pledged goods unless a record is established containing the name, address and identification of the seller, a complete description of the property, including serial number, and a signed statement that the seller has the right to sell the property.

Oklahoma

In Oklahoma, the maximum allowable service charge was established in 1972 when the Oklahoma Pawnshop Act was enacted. Under current Oklahoma law, a pawn loan may not exceed \$25,000. The maximum allowable pawn service charges under the Oklahoma Pawnshop Act for the various loan amounts are currently as follows:

Amount Financed Per Pawn Loan -----	Maximum Allowable Annual Percentage Rate ----
\$ 1 to \$ 150	240%
\$ 151 to \$ 250	180%
\$ 251 to \$ 500	120%
\$ 501 to \$ 1,000	60%
\$ 1,001 to \$25,000	36%

In addition to establishing maximum allowable service charge and loan ceilings, the Oklahoma Pawnshop Act also provides for the licensing of pawnshops. To be eligible for a pawnshop license in Oklahoma, an applicant must (i) be of good moral character, (ii) maintain net assets, as determined by the Oklahoma Administrator of Consumer Affairs ("OACA"), of at least \$25,000, (iii) show that the pawnshop will be operated lawfully and fairly in accordance with the Oklahoma Pawnshop Act, and (iv) not have been convicted of any felony which directly relates to the duties and responsibilities of the occupation of pawnbroker.

The OACA may, after notice and hearing, suspend or revoke any license for an Oklahoma pawnshop upon finding, among other things, that (i) any fees or charges imposed by the OACA have not been paid; (ii) the licensee violates (whether knowingly or without exercise of due care) any provision of the Oklahoma Pawnshop Act or any regulation or order thereunder; or (iii) a fact or condition exists which, if it had existed at the time of the original application was filed for a license, would have justified the OACA in refusing such license.

Under the Oklahoma Pawnshop Act, a pawnbroker may not accept a pledge from a person under the age of 18 years; accept any waiver of any right or protection accorded a customer under the Oklahoma Pawnshop Act; fail to exercise reasonable care to protect pledged goods from loss or damage; fail to return pledged goods to a customer upon payment of the full amount due the pawnbroker on the pawn transaction; make any charge for insurance in connection with a pawn transaction; enter into any pawn transaction which has a maturity date of more than one month; or accept collateral or buy merchandise from a person unable to supply verification of identity by photo identification by either a state-issued identification card, driver's license, or federal government-issued identification card or by readable fingerprint of right or left index finger on the back of the pawn or purchase receipt to be retained for the pawnbroker's record.

Maryland

In Maryland, there is no statutory service charge schedule. The Company charges 12% to 20% per month on loans at its Maryland stores, with a minimum monthly charge of \$6, which is consistent with service charges levied by other

pawnshops in these areas. The State of Maryland also does not prescribe any maximum loan amounts.

Article 56 of the Annotated Code of Maryland provides for the licensing of pawnshops. To be eligible for a pawnshop license in Maryland, an applicant must (i) file a signed application verified under oath, (ii) provide the Secretary of the Maryland Department of Licensing and Regulation ("MDLR") with a detail of the applicants business dealings for the previous 36 months, (iii) pay an application fee of \$100 plus \$25 for each employee, (iv) not have had a similar license suspended, revoked, or refused in another jurisdiction, and (v) not have been convicted of any felony, theft offense, or crime involving moral turpitude within 3 years of the application, or any time after the application, or employ such person.

The MDLR may, after notice and hearing, suspend or revoke any license for a Maryland pawnshop upon finding, among other things, that (i) any fees or charges imposed by the MDLR have not been paid, or (ii) the licensee cannot verify that the information supplied with the original application is current.

Under Article 56 of the Annotated Code of Maryland, a pawnbroker may not accept a pledge from a person under the age of 18 years; prohibit any police officer from inspecting a dealer's records during business hours; fail to exercise reasonable care to protect pledged goods from loss or damage; fail to return pledged goods to a customer upon payment of the full amount due the pawnbroker on the pawn transaction; or accept collateral or buy merchandise from a person unable to supply verification of identity by photo identification by either a state-issued identification card, driver's license, passport, or federal government-issued identification card and one other corroborating form of identification.

In addition to state laws governing pawnshop operations in Maryland, certain county governments also impose various requirements for pawnshops to which the Company is subject.

Washington, D.C.

Pursuant to the terms of the "Act to Regulate and License Pawnbrokers in the District of Columbia" ("Act"), the Director of the D.C. Department of Licenses, Investigations and Inspections ("Director") has primary responsibility for the regulation of pawnshops and enforcement of laws relating to pawnshops in Washington, D.C..

The Act prescribes the maximum rates of interest for which a pawnbroker may contract and which he may receive. The maximum rates are a flat \$2 per month charge on all loans of \$40 or less, and a 4% to 5% per month charge on loans of greater than \$40.

In addition to establishing maximum allowable service charges and loan ceilings, the Act also provides for the licensing of pawnshops and pawnshop employees. To be eligible for a pawnshop license in Washington, D.C., an applicant must submit an application to both the Director and the Washington, D.C. Chief of Police. After an investigation has been performed by the Chief of Police, a report of the applicant's moral character must be forwarded to the Director who then determines whether to issue a license.

Under the Act, a pawnbroker must file an annual report to the director on or before the fifteenth day of March of each year which must contain, among other things, the number of redeemed and unredeemed pledges, the total amount of cash loaned, cash balances on hand, total interest collected and any other information requested by the Director. In addition, pawnbrokers must maintain a pawn record ledger which details pertinent information on all loans.

Missouri

In Missouri, the maximum allowable interest charge allowed by state law is 2% per month. However, the law contains provisions allowing for the addition of storage and security fees. These fees effectively increase the total service charge in the Company's stores to 20% per month, with a \$2.50 minimum service fee. Loans are made for a period of 30 days with an automatic 60 day extension.

In addition to establishing maximum allowable interest rates, the state of Missouri also provides that all pawnshops must obtain a municipal license. To be eligible for a municipal pawnshop license in Missouri, an applicant must meet the following minimum requirements (i) be of good moral character, (ii) maintain net assets of at least \$50,000 readily available for each pawnshop, (iii) show that the pawnshop will be operated lawfully and fairly in accordance with Missouri state law, and (iv) not have been convicted of any felony or misdemeanor which directly relates to the duties and responsibilities of the occupation of pawnbroker.

Under Missouri state law, a pawnshop may not accept a pledge from a person

under the age of 18 years; make any agreement requiring the personal liability of a pledgor in connection with a pawn transaction; accept any waiver of any right or protection accorded a customer under the Missouri state law; fail to exercise reasonable care to protect pledged goods from loss or damage; fail to return pledged goods to a customer upon payment of the full amount due the pawnbroker on the pawn transaction; or purchase or take in trade used or secondhand personal property unless a record is established that contains the name, address, description and drivers license number of the seller, a complete description of the property, and a signed document from the seller providing that the seller has the right to sell the property.

Other

With respect to firearms and ammunition sales, each pawnshop must comply with the regulations promulgated by the Department of the Treasury-Bureau of Alcohol, Tobacco and Firearms which require each pawnshop dealing in firearms to maintain a permanent written record of all firearms received or disposed of and a similar record for all ammunition sales.

Under some municipal ordinances, pawnshops must provide the police department having jurisdiction copies of all daily transactions involving pawn loans and over-the-counter purchases. These daily transaction reports are designed to provide the local police with a detailed description of the goods involved including serial numbers, if any, and the name and address of the owner obtained from a valid identification card. If these ordinances are applicable, a copy of the transaction ticket is provided to local law enforcement agencies for processing by the National Crime Investigative Computer to determine rightful ownership. Goods held to secure pawn loans or goods purchased which are determined to belong to an owner other than the borrower or seller are subject to recovery by the rightful owners.

In connection with pawnshops operated by the Company, there is a risk that acquired merchandise may be subject to claims of rightful owners. Historically, the Company has not found these claims to have a material adverse effect upon results of operations. The Company does not maintain insurance to cover the costs of returning merchandise to its rightful owners.

There can be no assurance that additional local, state or federal legislation will not be enacted or that existing laws and regulations will not be amended which could have a material adverse effect on the Company's operations and financial condition.

Check Cashing Regulation - - - - -

California

The Company's check cashing operations in California are governed by the California Civil Code (the "Code"). The Code provides regulations governing both check cashing and deferred deposits ("payday advances"). Under the Code, check cashers are prohibited from charging more than 3% for cashing a government or payroll check if proper identification is provided by the customer, or more than 3.5% if the customer has no identification. Check cashers may not charge more than 12% for cashing a personal or business check, and no more than 15% of the face value of the check may be charged for deferred deposit transactions. The face value of deferred deposit checks may not exceed \$300, and the deferral term for deferred deposit transactions may not exceed 30 days. The Code prohibits companies from making more than one payday advance to any particular customer at any one time.

The Code also provides for the California Department of Justice to issue permits for check cashers. Permit applicants must file an application along with fingerprints, and pay a fee for the permit. Permit holders must renew the permit on an annual basis. Permit applicants may be rejected if they have been convicted of a felony involving dishonesty, fraud or deceit, provided that the crime is substantially related to the qualifications, functions, or duties of a person engaged in a check cashing business.

Washington

Check cashing operations in Washington are governed by the State of Washington Department of Financial Institutions. As it pertains to the operations of the Company, these regulations primarily cover payday advances. The law provides for a maximum advance amount of \$500, a maximum term of thirty one days, and a maximum interest rate of 15% of the advance. The Company is prohibited from making more than one payday advance to any particular customer at any one time.

The Department of Financial Institutions also requires a license for all check cashers, along with a surety bond. Check cashers who make deferred deposits secured by personal checks must provide an additional bond and

application for a deferred deposit endorsement. Applicants are investigated to determine whether they are financially responsible, and whether they have any felony convictions.

Employees

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The Company had approximately 750 employees as of October 26, 1998. At that date, approximately 25 persons were employed in executive, administrative and accounting functions. None of the Company's employees are covered by collective bargaining agreements. The Company considers its employee relations to be satisfactory.

Insurance

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The Company maintains fire, casualty, theft and public liability insurance for each of its pawnshop and check cashing locations in amounts management believes to be adequate. The Company maintains workers' compensation insurance in Maryland, Missouri, California, Virginia, Washington, Washington, D.C. and Oklahoma, as well as excess employer's indemnification insurance in Texas. The Company is a non-subscriber under the Texas Workers' Compensation Act and does not maintain other business risk insurance.

Future Plans

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The Company's long-term business plan includes continuing to acquire existing pawnshops in Texas, Missouri and Maryland, and possibly other states. The Company also plans to acquire additional check cashing locations in California and the Pacific Northwest, and to introduce check cashing and related financial services in a select number of its existing pawnshop locations. The acquisitions of both pawnshops and check cashing stores may involve a purchase of assets for cash or a combination of cash, Company securities and/or debt. From time to time, the Company may also open new pawnshops and check cashing locations where desirable opportunities are presented.

Item 2. Properties

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The Company currently owns the real estate and buildings for three of its pawnshops and leases 104 pawnshop and check cashing locations. Leased facilities are generally leased for a term of two to ten years with one or more options to renew. The Company's existing leases expire on dates ranging between 1999 and 2010. All current leases provide for specified periodic rental payments ranging from approximately \$500 to \$9,100 per month. Most leases require the Company to maintain the property and pay the cost of insurance and property taxes. The Company believes that termination of any particular lease would not have a material adverse effect on the Company's operations. The Company's strategy is generally to lease, rather than purchase, space for its pawnshop and check cashing locations unless the Company finds what it believes is a superior location at an attractive price. The Company believes that the facilities currently owned and leased by it as pawnshop and check cashing locations are suitable for such purpose. The Company considers its equipment, furniture and fixtures to be in good condition.

The Company currently leases approximately 8,500 square feet in Arlington, Texas for its executive offices. The lease, which expires November 2001, currently provides for monthly rental payments of approximately \$10,000. In addition, the Company leases approximately 9,200 square feet in Concord, California for the headquarters of Answers, etc., its software company which provides computer hardware and software for third-party check cashing stores.

Item 3. Legal Proceedings

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The Company is aware of no material legal proceedings pending to which it is a party, or its property is subject. From time to time the Company is a defendant (actual or threatened) in certain lawsuits encountered in the ordinary course of its business, the resolution of which, in the opinion of management, should not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

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No matter was submitted to a vote of the Company's security holders during the fourth quarter of fiscal 1998.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is traded in the over-the-counter market and is quoted on the Nasdaq Stock Market under the symbol "PAWN". The following table sets forth the quarterly high and low last sales prices per share for the Common Stock, as reported by the Nasdaq Stock Market.

	Common Stock Price Range	
	High	Low
1997		
First Quarter.....	\$ 5.77	\$ 4.69
Second Quarter.....	6.73	5.25
Third Quarter.....	6.81	5.16
Fourth Quarter.....	6.38	5.50
1998		
First Quarter.....	\$ 8.50	\$ 5.88
Second Quarter.....	8.50	6.69
Third Quarter.....	9.13	7.13
Fourth Quarter.....	17.00	9.00

On October 26, 1998, the last sales price for the Common Stock as reported by the Nasdaq Stock Market was \$9.63 per share. On October 26, 1998, there were approximately 90 stockholders of record of the Common Stock.

No cash dividends have been paid by the Company on its Common Stock, and the Company does not currently intend to pay cash dividends on its Common Stock. The current policy of the Company's Board of Directors is to retain earnings, if any, to provide funds for operation and expansion of the Company's business. Such policy will be reviewed by the Board of Directors of the Company from time to time in light of, among other things, the Company's earnings and financial position and limitations imposed by its revolving line of credit with Bank One, Texas, NA (the "Credit Facility"). Pursuant to the terms of its agreement with its lender, the Company is prohibited from paying any dividends until payment in full of its obligations under the Credit Facility.

Item 6. Selected Financial Data

The information below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 and the Company's Consolidated Financial Statements and related notes thereto required by Item 8.

	Year Ended July 31,				
	1998	1997	1996	1995	1994
	-----	-----	-----	-----	-----
	(in thousands, except per share amounts and certain operating data)				

Income Statement Data:

Revenues:

Merchandise sales.....	\$ 37,998	\$ 32,628	\$ 24,823	\$ 20,709	\$ 12,174
Service charges.....	20,332	16,517	13,149	11,298	8,279
Check cashing fees.....	255	-	-	-	-
Other.....	419	286	51	177	130
	-----	-----	-----	-----	-----
	59,004	49,431	38,023	32,184	20,583

Cost of goods sold and expenses:

Cost of goods sold.....	25,463	22,502	16,714	13,648	8,258
Operating expenses.....	19,608	15,774	12,573	10,678	7,356
Interest expense.....	2,031	2,340	2,124	2,116	819
Depreciation.....	922	717	540	506	361
Amortization.....	783	636	565	531	377
Administrative expenses.....	4,134	3,831	3,150	3,013	1,815
	-----	-----	-----	-----	-----
	52,941	45,800	35,666	30,492	18,986

Income before income taxes.....	6,063	3,631	2,357	1,692	1,597
Provision for income taxes.....	2,265	1,337	917	592	462
	-----	-----	-----	-----	-----
Net income.....	3,798	2,294	1,440	1,100	1,135
Dividends on preferred stock.....	-	-	-	-	120
	-----	-----	-----	-----	-----
Net income attributable to common stockholders.....	\$ 3,798	\$ 2,294	\$ 1,440	\$ 1,100	\$ 1,015
	=====	=====	=====	=====	=====
Basic earnings per share.....	\$.74	\$.60	\$.39	\$.30	\$.27
Diluted earnings per share.....	\$.59	\$.46	\$.35	\$.30	\$.27

Operating Data:

Locations in operation:					
Beginning of the period.....	57	50	43	36	26
Acquisitions.....	38	7	7	5	10
Opened.....	2	-	1	2	2
Sold.....	-	-	-	-	(1)
Consolidated.....	-	-	(1)	-	(1)
	-----	-----	-----	-----	-----
End of the period.....	97	57	50	43	36
	=====	=====	=====	=====	=====
Receivables.....	\$ 17,054	\$ 12,877	\$ 11,701	\$ 9,158	\$ 7,320
Average receivables balance per store....	\$ 176	\$ 226	\$ 234	\$ 213	\$ 203
Pawn loan redemption rate.....	74%	72%	70%	71%	73%
Average inventory per pawn store.....	\$ 154	\$ 176	\$ 175	\$ 178	\$ 167
Annualized inventory turnover.....	2.2x	2.4x	2.1x	2.0x	1.6x
Gross profit percentage on merchandise sales.....	33.0%	31.0%	32.7%	34.1%	32.2%

Balance Sheet Data:

Working capital.....	\$ 31,987	\$ 23,616	\$ 21,098	\$ 17,027	\$ 14,159
Total assets.....	91,128	56,677	51,945	43,755	37,814
Long-term liabilities.....	34,533	26,892	28,655	22,964	18,657
Total liabilities.....	39,611	30,398	31,362	24,808	19,804
Stockholders' equity.....	51,517	26,279	20,583	18,947	18,010

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Company's pawnshop revenues are derived primarily from service charges on pawn loans, and the sale of unredeemed goods, or "merchandise sales". Pawn loans are made for a 30-day term with an automatic extension of 60 days in Texas and Missouri, 30 days in Oklahoma and 15 days in Maryland and Virginia. Pawn loans made in Washington, D.C. are made for a 30 day term with no automatic extension. All pawn loans are collateralized by tangible personal property placed in the custody of the Company. The annualized service charge rates on pawn loans are set by state laws and range between 12% and 240% in Texas and 36% and 240% in Oklahoma, depending on the size of the loan. Service charge rates are 144% to 240% on an annualized basis in Maryland, with a \$6 monthly minimum charge. In Washington, D.C., loans up to \$40 bear a flat \$2 charge per month, while loans over \$40 bear a 48% to 60% annualized rate. Missouri pawn loans bear service and storage charges totaling 240% per year, and in Virginia rates range from 120% to 180% annually. In its Texas stores, the Company recognizes service charges at the inception of the pawn loan at the lesser of the amount allowed by the state law for the initial 30-day term or \$15, in accordance with state law. In Oklahoma, Maryland, Virginia, Missouri and Washington, D.C., the Company recognizes service charges at the inception of the loan at the amount allowed by law for the first 30 days. Pawn service charge income applicable to the remaining term and/or extension period is not recognized until the loan is repaid or renewed. If a loan is not repaid prior to the expiration of the automatic extension period, if applicable, the property is forfeited to the Company and held for resale.

As a result of the Company's policy of accruing pawn service charges only for the initial 30-day term, unredeemed merchandise is transferred to inventory at a value equal to the loan principal plus one-month's accrued interest. The Company's accounting policy defers recognition of an amount of income equal to the amount of pawn service charges relating to the extension period until the loan is repaid or renewed, or until the merchandise is resold. As a result of this policy, the Company's annualized loan yield is lower than certain of its publicly traded competitors. Conversely, this revenue recognition policy results in inventory being recorded at a lower value, which results in

realization of a larger gross profit margin on merchandise sales than would be realized by certain of the Company's publicly traded competitors. This policy, in the Company's opinion, lessens the risk that the inventory's cost will exceed its realizable value when sold. However, if the pawn loan is repaid or renewed, or if the forfeited merchandise is resold, the amount of income which would be recognized by the Company or certain of its publicly traded competitors would be the same over time.

Revenues at the Company's check cashing stores are derived primarily from check cashing fees, fees on payday advances, and fees from the sale of money orders and wire transfers. Payday advances have a term of thirty days or less, and carry a 15% service charge in both California and Washington. The Company recognizes service charge income on payday advances at the inception of the advance. Bad debts on payday advances are charged to operating expense in the month that the items are returned by the bank, and are credited to operating expense in the period the items are subsequently collected.

Although the Company has had significant increases in revenues due primarily to acquisitions and secondarily to new store openings, the Company has also incurred increases in operating expenses attributable to the additional stores and increases in administrative expenses attributable to building a management team and the support personnel required by the Company's growth. Operating expenses consist of all items directly related to the operation of the Company's stores, including salaries and related payroll costs, rent, utilities, equipment depreciation, advertising, property taxes, licenses, supplies, security and net returned checks. Administrative expenses consist of items relating to the operation of the corporate office, including the salaries of corporate officers, area supervisors and other management, accounting and administrative costs, liability and casualty insurance, outside legal and accounting fees and stockholder-related expenses.

Presented below are selected consolidated data for the Company for the three years ended July 31, 1998. The following table, as well as the discussion following, should be read in conjunction with Selected Financial Data included in Item 6 and the Consolidated Financial Statements and notes thereto of the Company required by Item 8.

	Year Ended July 31,		
	1998	1997	1996
	----	----	----
Income statement items as a percent of total revenues:			
Revenues:			
Merchandise sales.....	64.4%	66.0%	65.3%
Service charges.....	34.5	33.4	34.6
Check cashing fees.....	.4	-	-
Other.....	.7	.6	.1
Expenses:			
Operating expenses.....	33.2	31.9	33.1
Interest expense.....	3.4	4.7	5.6
Depreciation.....	1.6	1.5	1.4
Amortization.....	1.3	1.3	1.5
Administrative expenses.....	7.0	7.8	8.3
Gross profit as a percent of merchandise sales.....	33.0	31.0	32.7

Results of Operations

Fiscal 1998 Compared to Fiscal 1997

Total revenues increased 19% to \$59,004,000 for the fiscal year ended July 31, 1998 ("Fiscal 1998") as compared to \$49,431,000 for the fiscal year ended July 31, 1997 ("Fiscal 1997"). The change resulted from an increase in revenues of \$8,545,000 generated by the 47 pawn and check cashing stores which were opened or acquired during Fiscal 1997 and Fiscal 1998 and an increase of \$1,028,000, or 2%, at the 50 stores which were in operation during all of Fiscal 1997 and Fiscal 1998. Of the \$9,573,000 increase in total revenues, 56%, or \$5,370,000, was attributable to increased merchandise sales, 40%, or \$3,815,000 was attributable to increased service charges on pawn loans and payday advances, 3%, or \$255,000 was attributable to increased check cashing fees, and the remaining increase of \$133,000, or 1% was attributable to the increase in other income. As a percentage of total revenues, merchandise sales decreased from 66.0% to 64.4% during Fiscal 1998 as compared to Fiscal 1997, service charges

increased from 33.4% to 34.5%, check cashing fees increased from zero to 0.4%, and other income increased from 0.6% to 0.7%.

The aggregate receivables balance increased 32% from \$12,877,000 at July 31, 1997 to \$17,054,000 at July 31, 1998. Of the \$4,177,000 increase, \$188,000 was attributable to growth at the 57 pawn stores in operation at July 31, 1997 and July 31, 1998, \$2,708,000 was attributable to the addition of 29 pawnshops during Fiscal 1998, and \$1,281,000 was attributable to payday advances at the check cashing stores acquired during Fiscal 1998.

Gross profit as a percentage of merchandise sales increased from 31.0% during Fiscal 1997 to 33.0% during Fiscal 1998. This increase in the Company's gross profit margin was primarily the result of certain operating controls implemented during Fiscal 1998, and a slightly higher gold price during Fiscal 1998 compared to Fiscal 1997, which yielded higher margins on scrap jewelry sales during Fiscal 1998.

Operating expenses increased 24% to \$19,608,000 during Fiscal 1998 compared to \$15,774,000 during Fiscal 1997, primarily as a result of the addition of 47 pawnshops and check cashing stores in Fiscal 1997 and Fiscal 1998, and the addition of personnel viewed as necessary to support the increased number of store level transactions. Administrative expenses increased 8% to \$4,134,000 during Fiscal 1998 compared to \$3,831,000 during Fiscal 1997 due primarily to the addition of personnel to supervise store operations. Interest expense decreased to \$2,031,000 in Fiscal 1998 compared to \$2,340,000 in Fiscal 1997 as a result of a lower interest rate on the Company's line of credit, and due to the conversion of \$6,522,000 of interest-bearing debentures in May 1998 which were outstanding for all of Fiscal 1997.

For Fiscal 1998 and 1997, the Company's effective federal income tax rate of 37% differed from the statutory tax rate of 34% primarily as a result of state income taxes and amortization of non-deductible intangible assets.

Fiscal 1997 Compared to Fiscal 1996

Total revenues increased 30% to \$49,431,000 for the fiscal year ended July 31, 1997 ("Fiscal 1997") as compared to \$38,023,000 for the fiscal year ended July 31, 1996 ("Fiscal 1996"). The change resulted from an increase in revenues of \$7,163,000 generated by the 15 stores which were opened or acquired during Fiscal 1996 and Fiscal 1997 and an increase of \$4,245,000, or 12%, at the 42 stores which were in operation during all of Fiscal 1996 and Fiscal 1997. Of the \$11,408,000 increase in total revenues, 68%, or \$7,805,000, was attributable to increased merchandise sales, 30%, or \$3,368,000 was attributable to increased pawn service charges, and the remaining increase of \$235,000, or 2% was attributable to the increase in other income, primarily management fee revenue. As a percentage of total revenues, merchandise sales increased from 65.3% to 66.0% during Fiscal 1997 as compared to Fiscal 1996, while pawn service charges declined from 34.6% to 33.4%. Other income increased from 0.1% to 0.6% during the same period.

The aggregate receivables balance increased 10% from \$11,701,000 at July 31, 1996 to \$12,877,000 at July 31, 1997. Of the \$1,176,000 increase, \$436,000 was attributable to growth at the 50 stores in operation at July 31, 1996 and July 31, 1997, while \$740,000 was attributable to the addition of 7 stores during Fiscal 1997.

Gross profit as a percentage of merchandise sales decreased from 32.7% during Fiscal 1996 to 31.0% during Fiscal 1997. This decrease in the Company's gross profit margin was primarily the result of the Company's efforts to increase its inventory turn ratio, and increased jewelry scrap sales during Fiscal 1997, which generally yield a significantly lower margin than the Company's regular retail sales, but improve the Company's liquidity. Such scrap jewelry sales are generally made at prevailing precious metals market prices, which have declined over the last two years.

Operating expenses increased 25% to \$15,774,000 during Fiscal 1997 compared to \$12,573,000 during Fiscal 1996, primarily as a result of the addition of 14 stores in Fiscal 1996 and Fiscal 1997, and the addition of personnel viewed as necessary to support the increased number of store level transactions. Administrative expenses increased 22% to \$3,831,000 during Fiscal 1997 compared to \$3,150,000 during Fiscal 1996 due primarily to the addition of personnel to supervise store operations. Interest expense increased to \$2,340,000 in Fiscal 1997 compared to \$2,124,000 in Fiscal 1996 as a result of borrowings associated with expansion of the Company's store base.

For Fiscal 1997 and 1996, the Company's effective federal income tax rates of 37% and 39%, respectively, differed from the statutory tax rate of 34% primarily as a result of state income taxes and amortization of non-deductible intangible assets.

Liquidity and Capital Resources

The Company's operations and acquisitions during the past three years have been financed with funds generated from operations, bank and other borrowings, and the issuance of the Company's securities.

Effective November 1, 1997, the Company increased its long-term line of credit with its senior commercial lender to \$35,000,000 (the "Credit Facility"). At July 31, 1998, \$25,450,000 was outstanding under this Credit Facility and an additional \$7,094,000 was available to the Company pursuant to the available borrowing base. The Credit Facility bears interest at the prevailing LIBOR rate plus one percent, and matures on November 1, 2000. Amounts available under the Credit Facility are limited to 325% of the Company's earnings before income taxes, interest, depreciation and amortization for the trailing twelve months. Under the terms of the Credit Facility, the Company is required to maintain certain financial ratios and comply with certain technical covenants. The Company was in compliance with these requirements and covenants during fiscal 1998 and as of October 26, 1998. The Company is required to pay an annual commitment fee of 1/8 of 1% on the average daily unused portion of the Credit Facility commitment. The Company is prohibited from paying dividends to its stockholders. Substantially all of the unencumbered assets of the Company have been pledged as collateral against indebtedness under the Credit Facility.

In April 1998, the Company acquired 100% of the outstanding common stock of JB Pawn, Inc., which operates ten pawn stores in Texas and Maryland, for a total cash price of \$2,000,000. In June 1998, the Company acquired 100% of the outstanding common stock of Miraglia, Inc. for a total purchase price of \$21,175,000 consisting of 850,000 shares of First Cash common stock valued at \$8,713,000, or \$10.25 per share, a \$6,000,000 note payable to the sellers, \$6,300,000 cash, and legal, consulting and other costs totaling \$162,000. Miraglia, Inc. operates eleven check cashing stores located in California and Washington, as well as Answers, etc., a provider of computer hardware and software to third-party operators of check cashing stores. In addition to JB Pawn, Inc. and Miraglia, Inc., the Company acquired a total of 19 additional individual pawnshops in various regions at various times during the fiscal year for an aggregate purchase price of \$4,813,000, including legal, consulting, assumed liabilities and other costs incidental to the acquisitions. The Company financed substantially all of the cash purchase price for all of its fiscal 1998 acquisitions through its credit facility. The purchase price for these acquisitions was determined based upon the volume of annual loan and sales transactions, outstanding loan balances, inventory on hand, location and condition of the facilities, and projected future operating results.

As of July 31, 1998, the Company's primary sources of liquidity were \$1,582,000 in cash and cash equivalents, \$2,436,000 in service charges receivable, \$17,054,000 in receivables, \$13,254,000 in inventories and \$7,094,000 of available and unused funds under the Company's Credit Facility. The Company had working capital as of July 31, 1998 of \$31,987,000 and a liabilities to equity ratio of 0.8 to 1.

Net cash provided by operating activities of the Company during Fiscal 1998 was \$2,497,000, consisting primarily of net income before non-cash depreciation and amortization of \$5,503,000, less cash used to fund the increase of balance sheet items of \$3,006,000. Net cash used for investing activities during Fiscal 1998 was \$14,025,000, which was comprised of cash used for increasing receivables at existing stores of \$1,050,000, and cash paid for acquisitions and other fixed asset additions of \$12,975,000 during Fiscal 1998. Net cash provided by financing activities was \$11,971,000 during Fiscal 1998, which consisted of net increases in the Company's debt of \$7,213,000, supplemented by cash provided from the exercise of stock options and warrants of \$4,758,000.

The profitability and liquidity of the Company is affected by the amount of pawn loans outstanding, which is controlled in part by the Company's loan decisions. The Company is able to influence the frequency of forfeiture of collateral by increasing or decreasing the amount loaned in relation to the resale value of the pledged property. Tighter credit decisions generally result in smaller loans in relation to the estimated resale value of the pledged property and can thereby decrease the Company's aggregate loan balance and, consequently, decrease pawn service charges. Additionally, small loans in relation to the pledged property's estimated resale value tends to increase loan redemptions and improve the Company's liquidity. Conversely, providing larger loans in relation to the estimated resale value of the pledged property can result in an increase in the Company's pawn service charge income. Also larger average loan balances can result in an increase in loan forfeitures, which increases the quantity of goods on hand and, unless the Company increases inventory turnover, reduces the Company's liquidity. In each of the Company's last three fiscal years, at least 70% of amounts loaned under pawn transactions were either paid in full or renewed, and it is management's current intent to maintain this ratio. The Company's renewal policy allows customers to renew pawn loans by repaying all accrued interest on such pawn loans, effectively creating a new loan transaction. In addition to these factors, the Company's

liquidity is affected by merchandise sales and the pace of store expansions.

Management believes that the Credit Facility, current assets and cash generated from operations will be sufficient to accommodate the Company's current operations for fiscal 1999. The Company has no significant capital commitments as of October 26, 1998. The Company currently has no written commitments for additional borrowings or future acquisitions; however, the Company intends to continue to grow and will likely seek additional capital to facilitate expansion. The Company will evaluate acquisitions, if any, based upon opportunities, acceptable financing, purchase price, strategic fit and qualified management personnel.

The Company currently intends to continue to engage in a plan of expansion through existing store acquisitions and new store openings. While the Company continually looks for, and is presented with, potential acquisition candidates, the Company has no definitive plans or commitments for further acquisitions. The Company has no immediate plans to open any other new stores. If the Company encounters an attractive opportunity to acquire or open a new store in the near future, the Company will seek additional financing, the terms of which will be negotiated on a case-by-case basis. Between August 1, 1998 and October 26, 1998, the Company acquired three individual check cashing stores for an aggregate purchase price of \$257,000, and opened one new check cashing location. In addition, the Company acquired five pawnshops for an aggregate purchase price of \$1,650,000, and opened one new pawnshop location. All of these acquisitions were financed with proceeds from the Company's Credit Facility, and with seller-financed debt.

Year 2000 Issue

The "Year 2000 Issue" is the result of computer programs that use two digits instead of four to record the applicable year. Computer programs that have date-sensitive software might recognize a date using "00" as the Year 1900 instead of the Year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including among other events, a temporary inability to process transactions or engage in similar normal business activities. The Year 2000 is a leap year, which may also lead to incorrect calculations, functions or system failure. The Company has established a committee to initiate the process of gathering, testing, and producing information about the Company's operations systems impacted by the Year 2000 transition. The Company intends to utilize both internal and external resources to identify, correct or reprogram, and test systems for Year 2000 compliance. The Company intends to contact its significant suppliers to determine the extent to which the Company may be vulnerable to those parties' failure to remediate their own Year 2000 issues. There can be no guarantee that the systems of other companies with which the Company's systems interface will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems would not require the Company to spend more time or money than anticipated, or even have a material adverse effect on the Company. Although the Year 2000 assessment has not been completed, management currently believes, based on available information, that resolving these matters will not have a material adverse impact on the Company's financial position or its results of operations.

Forward Looking Information

This annual report contains certain statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans," or "anticipates" or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy. Such statements include, but are not limited to, the discussions of the Company's operations, liquidity, and capital resources. Forward-looking statements are included in the "Liquidity and Capital Resources," and "Business" sections of this annual report. Although the Company believes that the expectations reflected in forward-looking statements are reasonable, there can be no assurances that such expectations will prove to be accurate. Generally, these statements relate to business plans, strategies, anticipated strategies, levels of capital expenditures, liquidity and anticipated capital funding needed to effect the business plan. All phases of the Company's operations are subject to a number of uncertainties, risks and other influences, many of which are outside the control of the Company and cannot be predicted with any degree of accuracy. Factors such as changes in regional or national economic conditions, changes in governmental regulations, unforeseen litigation, changes in interest rates or tax rates, significant changes in the prevailing market price of gold, future business decisions and other uncertainties may cause results to differ materially from those anticipated by some of the statements made in this report. In light of the significant uncertainties inherent in the forward-looking statements made in

this annual report, the inclusion of such statements should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved. Security holders are cautioned that such forward-looking statements involve risks and uncertainties. The forward-looking statements contained in this annual report speak only as of the date of this annual report and the Company expressly disclaims any obligation or undertaking to release any updates or revisions to any such statement to reflect any change in the Company's expectations or any change in events, conditions or circumstance on which any such statement is based.

Inflation

- - - - -

The Company does not believe that inflation has had a material effect on the amount of loans and payday advances made or unredeemed goods sold by the Company or its results of operation.

Seasonality

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The Company's retail business is seasonal in nature with its highest volume of sales of unredeemed goods occurring during the second fiscal quarter of each year and its lowest volume of sales of unredeemed goods occurring during the first fiscal quarter of each year. The Company's lending and payday advance activities are not seasonal in nature.

New Accounting Pronouncements

- - - - -

In February 1997, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standard No. 128, "Earnings per Share" ("FAS 128"), which is effective for periods ending after December 15, 1997. Effective November 1, 1997, the Company adopted FAS 128, which establishes standards for computing and presenting earnings per share for entities with publicly held common stock. Earnings per share for Fiscal 1998 have been calculated in conformity with FAS 128, and earnings per share for prior periods presented have been restated to conform with FAS 128.

In February 1997, the FASB issued Statement of Financial Accounting Standards No. 129 "Disclosure of Information about Capital Structure" ("FAS 129"). FAS 129 is effective for periods ending after December 15, 1997. The Company believes it is not required to make any additional disclosures under FAS 129.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" ("FAS 130"). FAS 130 establishes standards for reporting comprehensive income and its components in a full set of financial statements. The new standard requires that all items that are to be recognized under accounting standards as components of comprehensive income, including an amount representing total comprehensive income, be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company believes it is not required to make any additional disclosures under FAS 130.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131"). FAS 131 establishes reporting standards for a company's operating segments in annual financial statements and the reporting of selected information about operating segments in interim financial reports. The new pronouncement also establishes standards for related disclosures about products and services, geographic areas and major customers. The statement is effective for financial statements for periods beginning after December 15, 1997. The Company believes it will not be required to report segment information for the year ended July 31, 1999.

Item 8. Financial Statements and Supplementary Data

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The financial statements prepared in accordance with Regulation S-X are included in a separate section of this report. See the index to Financial Statements at Item 14(a)(1) and (2) of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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In April 1997, at the direction of the audit committee of the board of directors, First Cash, Inc. solicited proposals from several accounting firms to become the Company's independent accountants, including the audit of the Company's financial statements. On June 26, 1997, the Company notified Deloitte & Touche LLP of the Company's intention to engage Deloitte & Touche LLP as

independent accountants for the audit of the Company's financial statements for the fiscal year ending July 31, 1997. On May 28, 1997, Price Waterhouse LLP resigned as the independent accountants for the audit of the Company's financial statements and the client-auditor relationship between the Company and Price Waterhouse LLP ceased. The reports of Price Waterhouse LLP on the financial statements of the Company for the year ended July 31, 1996 contained no adverse opinion or disclaimer of opinion or any qualification or modification as to uncertainty, audit scope or accounting principles. During the year ended July 31, 1996, and during the period from August 1, 1996 through May 28, 1997, there were no reportable events. During the year ended July 31, 1996, and during the period from August 1, 1996 through May 28, 1997, there were no disagreements with Price Waterhouse LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure that, if not resolved to the satisfaction of Price Waterhouse LLP, would have caused a reference to the subject matter of the disagreement in its audit report.

There have been no disagreements concerning matters of accounting principles or financial statement disclosure between the Company and Deloitte & Touche LLP of the type requiring disclosure hereunder.

PART III

In accordance with General Instruction G(3), a presentation of information required in response to Items 10, 11, 12, and 13 shall appear in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A within 120 days of the Company's year end and shall be incorporated herein by reference when filed.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following documents are filed as a part of this report:

(1) Consolidated Financial Statements:

Report of Independent Auditors
Report of Independent Accountants
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Cash Flows
Consolidated Statements of Changes in
Stockholders' Equity
Notes to Consolidated Financial Statements

(2) All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(3) Exhibits:

3.1(5) Amended Certificate of Incorporation
3.2(4) Amended Bylaws
4.2a(2) Common Stock Specimen
10.3(1) Registrant's Stock Option Plan and Form of Option
10.3(a)(1) Amended Stock Option Agreement -- Rick Powell
10.7(2) Lease of Registrant's Pawnshop located at S. Cooper
10.8(2) Employment Agreement -- Rick Powell
10.15(2) Employment Agreement -- Rick L. Wessel
10.16(2) Warrant Agreement -- Rick Powell
10.18(2) Warrant Agreement -- Rick Wessel
10.23(2) Lease of Registrant's Pawnshop located at Tyler, Texas
10.24(2) Lease of Registrant's Pawnshop located at James Avenue in
Ft. Worth, Texas
10.25(2) Lease of Registrant's Pawnshop located at Brown Trail in
Bedford, Texas
10.26(2) Lease of Registrant's Pawnshops located at Hurst and Eules,
Texas
10.28(2) Lease of Registrant's Pawnshop located at S. 23rd Street in
McAllen, Texas
10.29(2) Lease of Registrant's Pawnshop located at E. 14th Street in
Brownsville, Texas
10.30(2) Lease of Registrant's Pawnshop located at W. Tyler in
Harlingen, Texas
10.31(2) Lease of Registrant's Pawnshop located at Morgan in Corpus
Christi, Texas

- 10.32(2) Lease of Registrant's Pawnshop located at N. 10th in McAllen, Texas
- 10.43(3) Lease of Registrant's Pawnshop located at Garland, Texas
- 10.46(5) Lease of Registrant's Pawnshop located at 5519 S.E. 15th Street in Del City, Oklahoma
- 10.54(6) Repurchase of First Cash, Inc. Stock from American Pawn & Jewelry, Inc.
- 10.55(6) Acquisition of Famous Pawn, Inc.
- 10.56(7) Audited Financial Statements of Famous Pawn, Inc. for the ten and one-half months ended May 15, 1994.
- 10.57(8) Acquisition Agreement of Five Pawnshops from Jeff Gerhoff.
- 10.58(8) Loan Agreement between First Cash, Inc. and Bank One, Texas, National Association, dated July 28, 1994.
- 10.59(11) Acquisition Agreement - Miraglia, Inc.
- 10.60(10) Audited Financial Statements of Miraglia, Inc. for the ten months ended May 31, 1998.
- 11.0(9) Computation of Earnings Per Share for the Year Ended July 31, 1995.
- 21.0(11) Subsidiaries
- 27.0 Financial Data Schedules (Edgar version only)

-
- (1) Filed as an exhibit to the Company's Registration Statement on Form S-18 (No. 33-37760-FW) and incorporated herein by reference.
 - (2) Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-48436) and incorporated herein by reference.
 - (3) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year ended July 31, 1992 (File No. 0 - 19133) and incorporated herein by reference.
 - (4) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarter ended October 31, 1992 (File No. 0 - 19133) and incorporated herein by reference.
 - (5) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarter ended January 31, 1993 (File No. 0 - 19133) and incorporated herein by reference.
 - (6) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarter ended April 30, 1994 (File No. 0 - 19133) and incorporated herein by reference.
 - (7) Filed as an exhibit to Form 8-K dated July 29, 1994.
 - (8) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year ended July 31, 1994 (File No. 0 - 19133) and incorporated herein by reference.
 - (9) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year ended July 31, 1995 (File No. 0 - 19133) and incorporated herein by reference.
 - (10) Filed as an exhibit to Form 8-K dated September 22, 1998.
 - (11) Filed herein.

(b) On September 22, 1998, the Company filed a Form 8-K to report the purchase of Miraglia, Inc., along with the financial statements of Miraglia, Inc. for the ten months ended May 31, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST CASH, INC.

PHILLIP E. POWELL

Phillip E. Powell, Chief Executive Officer
October 27, 1998

RICK L. WESSEL

Rick L. Wessel, Principal Accounting Officer
October 27, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
-----	-----	----

PHILLIP E. POWELL Chairman of the Board and October 27, 1998
----- Chief Executive Officer
Phillip E. Powell

RICK L. WESSEL President, Chief Financial October 27, 1998
----- Officer, Secretary and
Rick L. Wessel Treasurer

JOE R. LOVE Director October 27, 1998

Joe R. Love

RICHARD T. BURKE Director October 27, 1998

Richard T. Burke

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
of First Cash, Inc.

We have audited the consolidated balance sheets of First Cash, Inc. and subsidiaries as of July 31, 1998 and 1997 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 1998 and 1997 financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Cash, Inc. and subsidiaries at July 31, 1998 and 1997 and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Fort Worth, Texas
August 31, 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of First Cash, Inc.

In our opinion, the consolidated statements of income, of cash flows and of changes in stockholders' equity for the year ended July 31, 1996 present fairly, in all material respects, the results of operations and cash flows of First Cash, Inc. and its subsidiaries for the year ended July 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our

audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. We have not audited the consolidated financial statements of First Cash, Inc. and its subsidiaries for any period subsequent to July 31, 1996.

PRICEWATERHOUSECOOPERS LLP

PRICE WATERHOUSE LLP
 Fort Worth, Texas
 October 22, 1996

FIRST CASH, INC.
 CONSOLIDATED BALANCE SHEETS

July 31, July 31,
 1998 1997
 ---- ----
 (in thousands, except
 share data)

ASSETS

Cash and cash equivalents.....	\$ 1,582	\$ 1,139
Service charges receivable.....	2,436	1,949
Receivables.....	17,054	12,877
Inventories.....	13,254	10,035
Income taxes receivable.....	1,471	-
Prepaid expenses and other current assets.....	1,268	1,122
	-----	-----
Total current assets.....	37,065	27,122
Property and equipment, net.....	7,890	6,554
Intangible assets, net of accumulated amortization of \$3,356 and \$2,570, respectively.....	45,873	22,256
Other.....	300	745
	-----	-----
	\$ 91,128	\$ 56,677
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current portion of long-term debt and notes payable..	\$ 1,587	\$ 942
Accounts payable and accrued expenses.....	3,283	2,437
Income taxes payable.....	208	127
	-----	-----
Total current liabilities.....	5,078	3,506
Revolving credit facility.....	25,450	15,575
Long-term debt and notes payable, net of current portion.....	6,367	2,735
Debentures Due 1999.....	-	6,022
Debentures Due 2004.....	-	500
Deferred income taxes.....	2,716	2,060
	-----	-----
	39,611	30,398
	-----	-----

Stockholders' equity:

Preferred stock; \$.01 par value; 10,000,000 shares authorized; no shares issued or outstanding.....	-	-
Common stock; \$.01 par value; 20,000,000 shares authorized; 8,334,305 and 4,931,376 shares issued, respectively; 7,863,346 and 4,460,417 shares outstanding, respectively.....	83	50
Additional paid-in capital.....	42,412	21,005
Retained earnings.....	11,287	7,489
Common stock held in treasury, at cost; 470,959 shares.....	(2,265)	(2,265)

	-----	-----
	51,517	26,279
Commitments (see Note 11)		
	-----	-----
	\$ 91,128	\$ 56,677
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CASH, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended July 31,		
	1998	1997	1996
	----	----	----
	(in thousands, except per share amounts)		
Revenues:			
Merchandise sales.....	\$ 37,998	\$ 32,628	\$ 24,823
Service charges.....	20,332	16,517	13,149
Check cashing fees.....	255	-	-
Other.....	419	286	51
	-----	-----	-----
	59,004	49,431	38,023
	-----	-----	-----
Cost of goods sold and expenses:			
Cost of goods sold.....	25,463	22,502	16,714
Operating expenses.....	19,608	15,774	12,573
Interest expense.....	2,031	2,340	2,124
Depreciation.....	922	717	540
Amortization.....	783	636	565
Administrative expenses.....	4,134	3,831	3,150
	-----	-----	-----
	52,941	45,800	35,666
	-----	-----	-----
Income before income taxes.....	6,063	3,631	2,357
Provision for income taxes.....	2,265	1,337	917
	-----	-----	-----
Net income.....	\$ 3,798	\$ 2,294	\$ 1,440
	=====	=====	=====
Basic earnings per share.....	\$ 0.74	\$ 0.60	\$ 0.39
	=====	=====	=====
Diluted earnings per share.....	\$ 0.59	\$ 0.46	\$ 0.35
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CASH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended July 31,		
	1998	1997	1996
	----	----	----
	(in thousands)		
Cash flows from operating activities:			
Net income.....	\$ 3,798	\$ 2,294	\$ 1,440
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization.....	1,705	1,353	1,105
Changes in operating assets and liabilities, net of effect of purchases of existing stores:			
Service charges receivable.....	(195)	(62)	(227)
Inventories.....	(1,614)	(1,152)	(899)
Prepaid expenses and other assets.....	(2,115)	(6)	(474)
Accounts payable and accrued expenses.....	(241)	257	451

Current and deferred income taxes.....	1,159	135	556
Net cash flows from operating activities..	2,497	2,819	1,952
Cash flows from investing activities:			
Net increase in pawn loans and payday advances....	(1,050)	(566)	(1,606)
Purchases of property and equipment.....	(1,021)	(1,188)	(1,282)
Acquisition of existing operations.....	(11,954)	(2,643)	(4,370)
Net cash flows from investing activities..	(14,025)	(4,397)	(7,258)
Cash flows from financing activities:			
Proceeds from debt.....	13,440	16,086	17,909
Repayments of debt.....	(6,227)	(13,975)	(12,385)
Repurchase of outstanding warrants.....	-	(250)	-
Proceeds from exercise of options and warrants....	4,758	176	196
Net cash flows from financing activities..	11,971	2,037	5,720
Change in cash and cash equivalents.....	443	459	414
Cash and cash equivalents at beginning of the year...	1,139	680	266
Cash and cash equivalents at end of the year.....	\$ 1,582	\$ 1,139	\$ 680
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest.....	\$ 2,061	\$ 2,405	\$ 2,102
Income taxes.....	\$ 985	\$ 1,173	\$ 361
Supplemental disclosure of noncash investing and financing activities:			
Noncash transactions in connection with various acquisitions:			
Fair market value of assets acquired.....	\$ 31,196	\$ 2,652	\$ 4,308
Less issuance of common stock.....	(8,712)	-	-
Less issuance of debt.....	(6,000)	-	-
Less assumption of liabilities and costs of acquisition.....	(4,530)	(9)	(23)
Net cash paid.....	\$ 11,954	\$ 2,643	\$ 4,285
Noncash conversion of subordinated debentures into shareholders' equity.....	\$ 6,522	\$ 3,476	-

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CASH, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Preferred Stock		Retained Earnings	Treasury Stock		Total
	Shrs	Amnt		Shrs	Amnt		Shrs	Amnt	
(in thousands)									
Balance at July 31, 1995..	4,130	\$ 42	\$17,415	-	-	\$ 3,755	471	\$(2,265)	\$18,947
Exercise of stock options and warrants.....	38	-	196	-	-	-	-	-	196
Net income.....	-	-	-	-	-	1,440	-	-	1,440
Balance at July 31, 1996..	4,168	42	17,611	-	-	5,195	471	(2,265)	20,583
Exercise of stock warrants.....	44	1	175	-	-	-	-	-	176
Conversion of debentures..	719	7	3,469	-	-	-	-	-	3,476
Repurchase of warrants....	-	-	(250)	-	-	-	-	-	(250)
Net income.....	-	-	-	-	-	2,294	-	-	2,294
Balance at July 31, 1997..	4,931	50	21,005	-	-	7,489	471	(2,265)	26,279

Exercise of stock options and warrants, including income tax benefit of \$1,894.....	1,151	11	6,640	-	-	-	-	-	6,651
Conversion of debentures..	1,402	14	6,063	-	-	-	-	-	6,077
Common stock issued in connection with an acquisition.....	850	8	8,704	-	-	-	-	-	8,712
Net income.....	-	-	-	-	-	3,798	-	-	3,798
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at July 31, 1998..	8,334	\$ 83	\$42,412	-	-	\$11,287	471	\$(2,265)	\$51,517
	=====	=====	=====	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CASH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND NATURE OF THE COMPANY

First Cash, Inc. (the "Company") was incorporated in Texas on July 5, 1988 and was reincorporated in Delaware in April 1991. The Company is engaged in acquiring, establishing and operating pawnshops which lend money on the security of pledged tangible personal property. In addition to making short-term loans, these pawnshops offer for resale the personal property forfeited by the individuals on loans, as well as personal property purchased outright from customers. The Company also operates outlets that provide check cashing, short term unsecured advances ("payday advances"), and other related financial services through its wholly-owned subsidiary, Miraglia, Inc. Miraglia, Inc. also supplies computer hardware and software to third-party check cashing operators, as well as ongoing technical support. As of July 31, 1998 the Company owned 86 pawn stores and 11 check cashing stores.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

Principles of consolidation - The accompanying consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash and cash equivalents - The Company considers any highly liquid investments with an original maturity of three months or less at date of acquisition to be cash equivalents.

Receivables and income recognition - Receivables on the accompanying balance sheet consist of pawn loans and payday advances. Pawn loans ("loans") are made on the pledge of tangible personal property for one month with an automatic extension period of sixty days in Texas and Missouri, thirty days in Oklahoma, and fifteen days in Maryland. Loans are made for a period of 120 days in Washington, D.C. with no automatic extension. In accordance with Texas state law, the Company has recorded pawn service charges at the inception of the loan at the lesser of the amount of interest allowed by law for the initial loan period, or \$15. Additional pawn service charges are recognized during the initial loan period when the aggregate pawn service charges earned, determined on a constant yield basis over the initial loan period, exceed the amount of income recognized at the inception of the loan. Pawn service charges on loans made in Oklahoma, Missouri, Maryland and Washington, D.C. are recorded at the amount of interest allowed by law for the first 30 days. Pawn service charges applicable to the extension periods or additional loan periods are not recognized as income until the loan is repaid or renewed. If the loan is not repaid, the principal amount loaned plus accrued pawn service charges becomes the carrying value of the forfeited collateral ("inventory") which is recovered through sale. Payday advances made at the Company's check cashing outlets are made for thirty days or less. The Company recognizes the service charges associated with payday advances at the inception of the payday advance at the amount of service charge allowed for the term of the payday advance.

Returned checks - The Company charges operating expense for potential losses on returned checks in the period such checks are returned, since ultimate collection of these items is uncertain. Recoveries on returned checks are credited in the period when the recovery is received.

Operating expenses - Costs incurred in operating the pawn stores and check cashing stores have been classified as operating expenses. Operating expenses include salary and benefit expense of store employees, rent and other occupancy costs, bank charges, security, net returned checks, utilities, cash shortages and other costs incurred by the stores.

Layaway and deferred revenue - Interim payments from customers on layaway sales are credited to deferred revenue and subsequently recorded as income during the period in which final payment is received.

Inventories - Inventories represent merchandise purchased directly from the public and merchandise acquired from forfeited loans. Inventories purchased directly from customers are recorded at cost. Inventories from forfeited loans are recorded at the amount of the loan principal plus one month's accrued pawn service charges on the unredeemed goods. The cost of inventories is determined on the specific identification method. Inventories are stated at the lower of cost or market; accordingly, inventory valuation allowances are established when inventory carrying values are in excess of estimated selling prices, net of direct costs of disposal. Management has evaluated inventory and determined that a valuation allowance is not necessary.

Property and equipment - Property and equipment are recorded at cost. Depreciation is determined on the straight-line method based on estimated useful lives of thirty-one years for buildings and three to ten years for equipment. The costs of improvements on leased stores are capitalized as leasehold improvements and are amortized on the straight-line method over the applicable lease period, or useful life if shorter.

Maintenance and repairs are charged to expense as incurred; renewals and betterments are charged to the appropriate property and equipment accounts. Upon sale or retirement of depreciable assets, the cost and related accumulated depreciation is removed from the accounts, and the resulting gain or loss is included in the results of operations in the period retired.

Intangible assets - Intangible assets consist of the excess of purchase price over net assets acquired and non-compete agreements. Excess purchase price over net assets acquired is being amortized on a straight-line basis over an estimated useful life of forty years and payments relative to non-compete agreements are amortized over their estimated useful lives, generally ranging from five to ten years. The Company's amortization policy is reviewed annually by the Board of Directors to determine if any change is appropriate. Management of the Company periodically evaluates the carrying value of the excess purchase price over the net tangible assets of businesses acquired to determine that no diminution in carrying value has occurred by comparing expected future cash flows, undiscounted and without interest charges, to the net carrying value of the related intangibles. Upon any such diminution in value, an appropriate amount would be charged to earnings.

Long lived assets - Long-lived assets (i.e., property, plant and equipment and intangible assets) are reviewed for impairment whenever events or changes in circumstances indicate that the net book value of the asset may not be recoverable. An impairment loss would be recognized if the sum of the expected future cash flows (undiscounted and before interest) from the use of the asset is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

Fair value of financial instruments - The fair value of financial instruments is determined by reference to various market data and other valuation techniques, as appropriate. Unless otherwise disclosed, the fair values of financial instruments approximate their recorded values, due primarily to their short-term nature.

Income taxes - The Company uses the liability method of computing deferred income taxes on all material temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases.

Advertising - The Company expenses the costs of advertising the first time the advertising takes place. Advertising expense for the fiscal years ended July 31, 1998, 1997 and 1996 was \$248,000, \$219,000 and \$165,000, respectively.

Stock-Based Compensation - Compensation expense is recorded with respect to stock option grants and retention stock awards to employees using the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Entities electing to remain with the accounting in APB 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting defined in Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") had been applied. The Company accounts for stock based employee compensation plans under the intrinsic method pursuant to APB 25

and has made the disclosures in the footnotes as required by FAS 123.

Earnings per share - In February 1997, the Financial Accounting Standards Board issued Financial Accounting Standard No. 128, "Earnings Per Share" ("FAS 128"), which became effective for periods ending after December 15, 1997. FAS 128 establishes standards for computing and presenting earnings per share for entities with publicly held common stock or potential common stock. Basic and diluted earnings per share for the year ended July 31, 1998 have been calculated in accordance with FAS 128. Earnings per share for prior periods have been restated to conform with FAS 128.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Year Ended July 31,		
	1998	1997	1996
	----	----	----
Numerator:			
Net income for calculating basic earnings per share.....	\$ 3,798	\$ 2,294	\$ 1,440
Plus interest expense, net of taxes, relating to convertible debentures.....	399	657	658
	-----	-----	-----
Net income for calculating diluted earnings per share.....	\$ 4,197	\$ 2,951	\$ 2,098
	=====	=====	=====
Denominator:			
Weighted-average common shares for calculating basic earnings per share.....	5,101	3,825	3,669
Effect of dilutive securities:			
Stock options and warrants.....	897	573	2,122
Convertible debentures.....	1,163	2,016	197
	-----	-----	-----
Weighted-average common shares for calculating diluted earnings per share.....	7,161	6,414	5,988
	=====	=====	=====
Basic earnings per share.....	\$.74	\$.60	\$.39
Diluted earnings per share.....	\$.59	\$.46	\$.35

Pervasiveness of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and related revenues and expenses and disclosure of gain and loss contingencies at the date of the financial statements. Such estimates and assumptions are subject to a number of risks and uncertainties which may cause actual results to differ materially from the Company's estimates.

NOTE 3 - BUSINESS ACQUISITIONS

In April 1998, the Company acquired 100% of the outstanding common stock of JB Pawn, Inc., which operates ten pawn stores in Texas and Maryland, for a total cash price of \$2,000,000 (see Note 4 - Related Party Transactions). In June 1998, the Company acquired 100% of the outstanding common stock of Miraglia, Inc. for a total purchase price of \$21,175,000 consisting of 850,000 shares of First Cash common stock valued at \$8,712,000, or \$10.25 per share, a \$6,000,000 note payable to the sellers, \$6,300,000 cash, and legal, consulting and assumed liabilities totalling \$163,000. Miraglia, Inc. operates eleven check cashing stores located in California and Washington, as well as Answers, etc., a provider of software to third-party operators of check cashing stores. In addition to JB Pawn, Inc. and Miraglia, Inc., the Company acquired a total of 19 additional individual pawnshops in various regions at various times during the fiscal year for an aggregate purchase price of \$4,813,000, including legal, consulting, assumed liabilities and other costs incidental to the acquisitions. The Company financed substantially all of the cash purchase price for all of its fiscal 1998 acquisitions through its credit facility. The purchase price for these acquisitions was determined based upon the volume of annual loan and sales transactions, outstanding loan balances, inventory on hand, location and

condition of the facilities, and projected future operating results.

The following unaudited pro forma summary data for the year ended July 31, 1998 and July 31, 1997 (in thousands, except per share amounts) combines the results of operations of the Company and Miraglia, Inc. as if the acquisition had occurred as of August 1, 1996, after giving effect to certain adjustments, including increased interest expense on acquisition debt, increased depreciation and amortization expense on assets acquired, and the related income tax effects. The unaudited pro forma fiscal 1998 and Fiscal 1997 results do not necessarily represent results which would have occurred if the Company had acquired Miraglia, Inc. on August 1, 1996, nor are they necessarily indicative of the results of future consolidated operations.

	Pro Forma 1998 ----	Pro Forma 1997 ----
	(unaudited)	(unaudited)
Revenues.....	\$ 64,884	\$ 53,970
Net income.....	\$ 3,605	\$ 2,237
Basic earnings per share.....	\$.62	\$.48
Diluted earnings per share.....	\$.51	\$.40

In September and October 1996, the Company acquired four individual stores in its Mid-Atlantic division, in December 1996 the Company acquired one store in the Dallas, Texas area, in February 1997 the Company acquired one store in Corpus Christi, Texas, and in March 1997 the Company acquired one store in Bladensburg, Maryland. These asset purchases were made for an aggregate purchase price of \$2,643,000 consisting of cash paid to the sellers of \$2,516,000 and legal, consulting and other fees of \$127,000. These acquisitions were financed with proceeds from the Company's Credit Facility and acquisition term notes provided by the Company's primary lender. The purchase price for these acquisitions was determined based upon the volume of annual loan and sales transactions, outstanding loan balances, inventory on hand, and location and condition of the facilities. Pro forma results of operations for these acquisitions are not presented because they are not material to historical results.

In May 1996, the Company acquired three pawnshops in Baltimore, Maryland in an asset purchase including fixed assets, layaways and pawn loans from an unaffiliated corporation which is wholly-owned by a former employee of the Company, for an aggregate purchase price of \$2,446,000 consisting of \$2,400,000 cash paid to the seller, and legal, consulting and other fees of \$46,000. In June 1996, the Company acquired three additional pawnshops in Baltimore, Maryland in an asset purchase including fixed assets, layaways, pawn loans and inventory from an unaffiliated corporation for an aggregate cash purchase price of \$1,662,000 consisting of \$1,590,000 paid to the seller, and legal, consulting and other fees of \$72,000. The Company financed substantially all of the cash purchase price for both of these acquisitions through its credit facility. The purchase price for these acquisitions was determined based upon the volume of annual loan and sales transactions, outstanding loan balances, inventory on hand, and location and condition of the facilities.

All of these acquisitions have been accounted for using the purchase method of accounting. Accordingly, the purchase price was allocated to assets and liabilities acquired based upon their estimated fair market values at the dates of acquisition. The excess purchase price over the fair market value of the net tangible assets acquired and identifiable intangible assets has been recorded as goodwill. Goodwill and other intangible assets, net of accumulated amortization, resulting from acquisitions was \$45,873,000 and \$22,256,000 as of July 31, 1998 and 1997, respectively. The results of operations of the acquired companies are included in the consolidated financial statements from their respective dates of acquisition. In connection with these acquisitions, the Company entered into non-compete agreements with the former owners, generally ranging from five to ten years.

NOTE 4 - RELATED PARTY TRANSACTIONS

From August 1996 through March 1998, the Company was involved in a management agreement to operate and manage pawnshops for JB Pawn, Inc., a Texas corporation which, up until March 31, 1998, was 100% owned and controlled by Mr. Jon Burke, the brother of Mr. Richard Burke, a director of First Cash. Through March 31, 1998, JB Pawn, Inc. owned and provided 100% of the financing for its pawnshops, and incurred all direct costs to operate the pawnshops, including payroll, store operating expenses, cost of inventory, and pawn loans. The Company received a monthly management fee for each store managed, and provided computer support, accounting, auditing, oversight and management of these stores. As discussed in Note 3, the Company purchased 100% of the outstanding

common stock of JB Pawn, Inc. on April 1, 1998. The Company recorded management fee revenue of \$247,000 and \$212,000 under this agreement during fiscal 1998 and 1997, respectively. In January 1996, the Company issued to Mr. Jon Burke warrants to purchase 50,000 shares of the Company's Common Stock at an exercise price of \$4.625 per share for consulting services to be provided through January 2001. The warrants vest over a five-year period.

In June 1998, in conjunction with the purchase of Miraglia, Inc. (see Note 3 - Acquisitions), the Company entered into lease agreements for one of its check cashing locations, as well as for certain office space located in Concorde, California. These properties are partially owned by Mr. Blake Miraglia, an employee of the Company. Total lease payments made pursuant to these leases were \$20,000 during fiscal 1998, which approximated market rates. In addition, the Company has an outstanding, unsecured note payable due July 5, 2003, bearing interest at 7%, to Mr. Miraglia which amounted to \$2,387,000 as of July 31, 1998 including accrued interest.

During fiscal 1996, the Company paid to Joe R. Love, a director of the Company, a consulting fee of \$75,000 for services rendered in connection with certain acquisitions.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	July 31, 1998	July 31, 1997
	----	----
Land.....	\$ 672	\$ 719
Buildings.....	1,002	1,002
Leasehold improvements.....	2,091	2,089
Furniture, fixtures and equipment.....	7,865	5,516
	-----	-----
	11,630	9,326
Less: accumulated depreciation.....	(3,740)	(2,772)
	-----	-----
	\$ 7,890	\$ 6,554
	=====	=====

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following (in thousands):

	July 31, 1998	July 31, 1997
	----	----
Accounts payable.....	\$ 351	\$ 216
Money orders payable.....	487	-
Wire transfers payable.....	124	-
Accrued payroll.....	675	939
Layaway deposits.....	783	572
Sales tax payable.....	190	147
Other.....	673	563
	-----	-----
	\$ 3,283	\$ 2,437
	=====	=====

NOTE 7 - REVOLVING CREDIT FACILITY

Effective November 1, 1997, the Company increased its long-term line of credit with its senior commercial lender to \$35,000,000 (the "Credit Facility"). At July 31, 1998, \$25,450,000 was outstanding under this Credit Facility and an additional \$7,094,000 was available to the Company pursuant to the available borrowing base. The Credit Facility bears interest at the prevailing LIBOR rate plus one percent, which was approximately 6.7% as of July 31, 1998, and matures on November 1, 2000. Amounts available under the Credit Facility are limited to 325% of the Company's earnings before income taxes, interest, depreciation and amortization for the trailing twelve months. Under the terms of the Credit Facility, the Company is required to maintain certain financial ratios and comply with certain technical covenants. The Company was in compliance with these requirements and covenants during fiscal 1998.

NOTE 8 - LONG-TERM DEBT AND NOTES PAYABLE

Long-term debt and notes payable consist of the following (in thousands, except payment information):

	July 31, 1998 ----	July 31, 1997 ----
Note payable to a bank; bearing interest at 7.4%; monthly principal payments of \$2,335 and interest payments based upon the unpaid balance; matures December 1, 2000; secured by real estate.....	\$ 538	\$ 555
Note payable to a bank; bearing interest at 7.4%; monthly principal payments of \$2,957 and interest payments based upon the unpaid balance; matures April 1, 2001; secured by real estate.....	483	511
Unsecured demand note payable to an individual; bearing interest at 7%; interest payable monthly in installments of \$583.....	100	100
Note payable to a bank; bearing interest at 9.3%; monthly principal and interest payments of \$14,504, until maturity at July 1, 1999; secured by equipment.....	165	317
Note payable to a bank; bearing interest at 8.9%; monthly principal and interest payments of \$7,367, until maturity at October 1, 2001; secured by equipment.....	249	312
Note payable to a bank; bearing interest at 9.2%; monthly principal and interest payments of \$5,797, until maturity at January 15, 2002; secured by equipment.....	207	255
Note payable to a bank; bearing interest at 9.3%; monthly principal and interest payments of \$5,452, until maturity at July 1, 2002; secured by equipment.....	212	257
Note payable to a bank; bearing interest at 7.4%; monthly principal payments of \$8,222 and interest payments based upon the unpaid balance; secured by specific acquired assets; retired during fiscal 1998.....	-	296
Note payable to a bank; bearing interest at 7.4%; monthly principal payments of \$39,834 and interest payments based upon the unpaid balance; secured by specific acquired assets; retired during fiscal 1998...	-	1,074
Notes payable to five former shareholders of Miraglia, Inc.; bearing interest at 7%; quarterly principal payments of \$300,000 and quarterly interest payments based upon the unpaid balance until maturity at July 5, 2003; unsecured.....	6,000	-
	-----	-----
	7,954	3,677
Less: current portion.....	(1,587)	(942)
	-----	-----
	\$ 6,367	\$ 2,735
	=====	=====

Long-term debt and notes payable are scheduled to mature as follows (in thousands):

Fiscal -----	
1999.....	\$ 1,587
2000.....	1,542
2001.....	2,313
2002.....	1,312
2003.....	1,200

	\$ 7,954
	=====

NOTE 9 - CONVERTIBLE SUBORDINATED DEBENTURES

In April 1994, the Company completed the private placement of \$7,500,000 of 10% Convertible Subordinated Debentures Due 1999. During fiscal 1997, \$1,476,000 of these debentures were converted by the holders into 318,917 shares of Common Stock, and during fiscal 1998 the remaining debentures were converted into 1,302,000 shares of Common Stock.

In conjunction with the acquisition of Famous Pawn, Inc. in May 1994, the Company issued \$2,500,000 of 7% Convertible Subordinated Debentures Due 2004. During fiscal 1997, \$2,000,000 of these debentures were converted into 400,000 shares of Common Stock, and in fiscal 1998 the remaining debentures were converted into 100,000 shares of Common Stock.

NOTE 10 - INCOME TAXES

Components of the provision for income taxes consist of the following (in thousands):

	For the year ended July 31,		
	1998	1997	1996
	----	----	----
Current:			
Federal.....	\$ 1,481	\$ 784	\$ 446
State.....	117	121	67
	-----	-----	-----
	1,598	905	513
Deferred.....	667	432	404
	-----	-----	-----
	\$ 2,265	\$ 1,337	\$ 917
	=====	=====	=====

The principal current and non-current deferred tax liabilities consist of the following at July 31, 1998 and 1997 (in thousands):

	July 31, 1998	July 31, 1997
	----	----
Deferred tax liabilities:		
Intangible asset amortization.....	\$ 1,552	\$ 1,222
Depreciation.....	758	603
State income taxes.....	258	139
Service charges receivable.....	58	50
Other.....	181	150
	-----	-----
Net deferred tax liability.....	\$ 2,807	\$ 2,164
	=====	=====
Reported as:		
Current liabilities - income taxes payable...	\$ 91	\$ 104
Non-current liabilities - deferred income taxes.....	2,716	2,060
	-----	-----
Net deferred tax liability.....	\$ 2,807	\$ 2,164
	=====	=====

The provision for income taxes differs from the amounts determined by applying the expected federal statutory tax rate to income before income taxes. The following is a reconciliation of such differences (in thousands):

	For the year ended July 31,		
	1998	1997	1996
	----	----	----
Tax at the federal statutory rate.....	\$ 2,061	\$ 1,235	\$ 801
Nondeductible amortization of intangible assets...	39	34	34
State income taxes, net of federal tax benefit....	197	112	67
Other, net.....	(32)	(44)	15
	-----	-----	-----

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Company leases certain of its facilities and equipment under operating leases with terms generally ranging from three to ten years. Most facility leases contain renewal and/or purchase options. Remaining future minimum rentals due under non-cancelable operating leases are as follows (in thousands):

Fiscal	

1999.....	\$ 4,096
2000.....	3,599
2001.....	3,040
2002.....	2,119
2003.....	1,166
Thereafter.....	3,759

	\$ 17,779
	=====

Rent expense under such leases was \$3,596,000, \$2,519,000 and \$2,070,000 for fiscal years 1998, 1997 and 1996, respectively.

The Company is aware of no material legal proceedings pending to which it is a party, or its property is subject. From time to time the Company is a defendant (actual or threatened) in certain lawsuits encountered in the ordinary course of its business, the resolution of which, in the opinion of management, should not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

NOTE 12 - EMPLOYEE STOCK OPTION PLAN AND OUTSTANDING WARRANTS

On October 30, 1990, the Company's Board of Directors adopted the 1990 Stock Option Plan (the "Plan"). The Plan provides for the issuance of incentive stock options and non-qualified stock options to key employees and directors of the Company. The total number of shares of Common Stock authorized and reserved for issuance under the Plan is 250,000 shares. The exercise price for each stock option granted under the Plan may not be less than the fair market value of the Common Stock on the date of the grant, unless, in the case of incentive stock options, the optionee owns greater than 10% of the total combined voting power of all classes of capital stock of the Company, in which case the exercise price may not be less than 110% of the fair market value of the Common Stock on the date of the grant. Unless otherwise determined by the Board, options granted under the Plan have a maximum duration of five years and vest in up to four equal installments, commencing on the first anniversary of the date of grant. As of July 31, 1998, options to purchase 35,749 shares of Common Stock were available for grant under the Plan. Options to purchase 158,814 shares were fully vested at July 31, 1998.

The Company also issues warrants to purchase shares of Common Stock to certain key members of management, to members of the Board of Directors who are not employees or officers of the Company and to outside consultants and advisors in connection with various acquisitions, debt offerings and consulting engagements. In accordance with the provisions of FAS 123, the issuance of warrants to outside consultants and advisors is accounted for using the fair value method prescribed by FAS 123. Warrants granted to outside consultants and advisors prior to December 15, 1995 are accounted for using methods prescribed by APB 25.

Stock option and warrant activity from July 31, 1995 through July 31, 1998 is summarized in the accompanying chart (in thousands, except exercise price).

				Exercisable	
	Options	Warrants	Weighted Average Exercise Price	Number	Wtd. Avg. Exercise Price
	-----	-----	-----	-----	-----
July 31, 1995	202	1,450	\$ 4.58	1,566	\$ 4.55
Granted	117	1,908	9.75		
Cancelled	(109)	(124)	5.55		

Exercised	(3)	(15)	4.28		
July 31, 1996	207	3,219	7.57	3,352	7.64
Granted	9	-	4.75		
Cancelled	(15)	-	4.93		
Repurchased	-	(198)	4.52		
Exercised	-	(44)	4.00		
July 31, 1997	201	2,977	7.82	3,120	7.88
Granted	27	480	8.00		
Cancelled	(1)	(450)	14.65		
Exercised	(13)	(1,138)	4.13		
July 31, 1998	214	1,869	8.42	2,027	8.48
	====	=====			

Options and warrants outstanding as of July 31, 1998 are as follows (in thousands, except exercise price and life):

Exercise Price	Total Warrants and Options	Weighted Average Remaining Life	Currently Exercisable
\$4.00	50	.4	50
4.63	917	2.4	895
4.75	9	3.0	2
8.00	507	4.6	480
15.00	600	2.0	600
	-----		-----
	2,083		2,027
	=====		=====

The Company applies the intrinsic value method in accounting for its stock option and warrant issuances. Accordingly, no compensation cost has been recognized for its stock option and warrant grants. Had compensation cost for the Company's stock options and warrants been determined based on the fair value at the grant dates for such option and warrant awards, the Company's net income would have been reduced by \$397,000, \$217,000 and \$114,000 in fiscal 1998, 1997 and 1996, respectively. Basic and diluted earnings per share would have been reduced by \$0.07 and \$0.06, respectively, in fiscal 1998, by \$0.06 and \$0.03, respectively, in fiscal 1997, and by \$0.03 and \$0.02, respectively, in fiscal 1996.

Weighted average grant-date fair values of options issued were \$5.71, \$3.30 and \$0.83 per unit in fiscal 1998, 1997 and 1996, respectively, which were calculated in accordance with the Black-Scholes option pricing model, using the following assumptions:

	1998	1997	1996
	----	----	----
Expected volatility.....	99%	39%	38%
Expected dividend yield.....	-	-	-
Expected option term.....	5 years	5 years	5 years
Risk-free rate of return....	6.0%	6.31%	5.79%

NOTE 13 - FIRST CASH 401(k) PLAN

The First Cash 401(k) Plan (the "Plan") is provided by the Company for all full-time employees who have been employed with the Company for one year. Under the Plan, a participant may contribute up to 15% of earnings, with the Company matching the first 3% at a rate of 50%. The employee contributions are paid to a corporate trustee and invested in various funds. Company contributions are invested in its common stock, and contributions made to participants' accounts become fully vested upon completion of five years of service. The total Company contributions to the Plan were \$95,000, \$69,000 and \$34,000 for fiscal 1998, 1997 and 1996, respectively.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF INCOME FOUND IN THE COMPANY'S FORM 10-K FOR THE YEAR ENDED JULY 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR	JUL -31-1998	JUL -31-1998
		1,582
		0
	17,054	0
		13,254
	37,065	11,630
	3,740	
	91,128	
5,078		0
0		0
		83
	51,434	
91,128		37,998
	59,004	25,463
	50,910	
	0	
	0	
	2,031	
	6,063	
		2,265
3,798		0
	0	
		0
	3,798	
	0.74	
	0.59	

FIRST CASH, INC.
SUBSIDIARIES

Subsidiary Name -----	State of Incorporation -----	Percentage Owned by Registrant -----
American Loan and Jewelry, Inc.	Texas	100%
Famous Pawn, Inc.	Maryland	100%
JB Pawn, Inc.	Texas	100%
Miraglia, Inc.	California	100%
Capital Pawnbrokers, Inc.	Maryland	100%
Silver Hill Pawn, Inc.	Maryland	100%
Elegant Floors, Inc.	Maryland	100%

ASSET AND
STOCK PURCHASE AGREEMENT

This Asset and Stock Purchase Agreement (this "Agreement") is dated as of June 4, 1998 by and among First Cash, Inc., a Delaware corporation ("Purchaser"), Miraglia, Inc., a California corporation (the "Company") and Blake A. Miraglia, individually and as trustee of the Blake Miraglia Trust U/A 5/30/87, Stephen R. Miraglia, individually and as trustee of the Stephen R. Miraglia Trust U/A 5/28/87, Bruce Myers, Paulette Myers, Gary V. Vanier, individually and as trustee of the Gary V. Vanier and Barbara D. Vanier 1992 Trust U/A 6/30/92, Barbara D. Vanier, individually and as trustee of the Gary V. Vanier and Barbara D. Vanier 1992 Trust U/A 6/30/92 and Jimmy Seale (individually, a "Shareholder" and collectively, the "Shareholders").

W I T N E S S E T H:

WHEREAS, Purchaser desires to purchase a portion of each of the assets of Company; and

WHEREAS, the Company's authorized capital consists solely of one million one hundred thousand (1,100,000) shares of common stock, no par value; and

WHEREAS, Shareholders are the record and beneficial owners of all of the issued and outstanding common stock of Company, consisting solely of one million seventy-four thousand seven hundred three (1,074,703) shares of common stock (the "Shares"); and

WHEREAS, Shareholders desire to sell and Purchaser desires to purchase from Shareholders all of the Shares upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the adequacy, sufficiency and receipt of which are hereby acknowledged, the parties do hereby agree as follows:

ARTICLE I
SALE AND PURCHASE OF ASSETS AND SHARES

1.1 Sale and Purchase of Assets. Subject to the terms and conditions hereof, effective as of the Closing Date, Company shall sell to Purchaser and desires to sell to Purchaser a proportionate part of each of the assets (the "Assets") of Company (the "Asset Purchase"). The proportionate part of each of the Assets being purchased by Purchaser shall be determined based upon a fraction, the numerator of which is the Asset Price (as hereinafter defined) and the denominator of which is the sum of the Asset Price and Purchase Price. Purchaser does hereby assign to Company after Closing all of its rights to the Assets without the necessity of an actual assignment.

1.2 Sale and Purchase of Shares. Subject to the terms and conditions hereof, Shareholders shall sell and deliver to the Purchaser, and the Purchaser shall purchase from Shareholders all of the Shares (the "Purchase"). The Purchase shall be evidenced by the delivery effective on the Closing Date to the Purchaser of assignments of the Shares executed by Shareholders accompanied by duly executed stock powers. On the Closing Date, Shareholders shall deliver to Purchaser resignations of all officers and directors of Company.

1.3 Closing. Subject to Article VII and the fulfillment of all conditions precedent set forth therein, the Asset Purchase contemplated in this Agreement shall be consummated (the "Closing") effective as of June 4, 1998 or such other date as the parties shall mutually agree (the "Closing Date"). Subject to Article VII and the fulfillment of all conditions precedent set forth therein and the Closing, the Purchase and the other related transactions contemplated by this Agreement (other than the Asset Purchase) shall be consummated immediately after the Closing and the distribution of the Note to the Shareholders pursuant to the plan of liquidation adopted by Company and the Shareholders.

ARTICLE II
AGGREGATE CONSIDERATION

2.1 Asset Price. The total consideration to be paid to Company for the Assets (the "Asset Price") shall be the sum of six million dollars (\$6,000,000) to be evidenced by promissory notes in the aggregate principal amount of \$6,000,000 (the "Notes") in the form of Exhibit A hereto to be allocated among the Shareholders as set forth on Exhibit N.

2.2 Purchase Price. The total consideration to be paid by the Purchaser to the Shareholders for the Shares (the "Purchase Price") shall consist of (a) eight hundred fifty thousand (850,000) shares of common stock of Purchaser ("Purchaser Common Stock") and (b) cash in the amount of six million three hundred thousand dollars (\$6,300,000) in the form of cashier's checks issued by Purchaser to be allocated among the Shareholders as set forth in Exhibit O.

2.3 Distribution of Cash. On or prior to October 15, 1998 there shall be distributed to the Shareholders by Company in proportion to their percentage ownership interests in Company immediately prior to the Closing Date an aggregate amount equal to the total amount of Federal and state income taxes paid or payable by the Shareholders for the calendar years 1997 and 1998 attributable to the net income of Company (other than income or gain in any manner relating to or resulting from the transaction contemplated by this Agreement) less the aggregate amount of distributions by Company to the Shareholders during 1997 and during 1998 through the Closing Date (as hereinafter defined). On or before October 15, 1998 Shareholders shall furnish to Purchaser and Company a computation of the Federal state income taxes paid or payable by the Shareholders for the calendar years 1997 and 1998 attributable to the net income of Company (other than income or gain in any manner relating to or resulting from the transactions contemplated by this Agreement) through the Closing Date and the aggregate amount of distributions by Company to Shareholders during 1997 and 1998 (other than as a result of or in connection with the transactions contemplated by this Agreement) through the Closing Date.

ARTICLE III
CERTAIN TAX MATTERS

3.1 Section 338 Election. The parties shall elect to treat the Purchase of the Shares as a purchase of assets for Federal income tax purposes pursuant to Section 338(h)(10) of the Code of 1986, as amended, and any similar provisions under state and other income tax laws (collectively, the "Section 338 Election"). For purposes of the Section 338 Election, the value of the Purchaser Common Stock received by the Shareholders shall be ten and 25/100 dollars (\$10.25) per share, and the parties shall allocate the aggregate of the Purchase Price and Company's liabilities to Company's assets prior to October 15, 1998 which will be included in the final S-corporation income tax return for the period ended as of the Closing Date.

3.2 Apportionment of Taxable Income. The Closing Date shall be the "acquisition date" as said term is defined in Section 338(h)(2) of the Internal Revenue Code of 1986 and shall be as the last day of a taxable period of Company (a "Pre-Closing Tax Period"). For taxable periods that end on the Closing Date, all items of income, gain, loss, deduction, and credits other than any such items resulting from the Section 338 Election shall be allocated to the periods before and after the Closing Date by closing the books of the Company as of the Closing Date. In the case of taxes that are payable with respect to a taxable period that begins before the Closing Date and ends after the Closing Date, the portion of any such tax that is allocable to the portion of the period ending on the Closing Date shall be:

(i) in the case of taxes that are either (x) based upon or related to income or receipts, or (y) imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible), deemed equal to the amount which would be payable if the taxable year ended with the Closing Date; and

(ii) in the case of taxes imposed on a periodic basis with respect to the assets of the Company, or otherwise measured by the level of any item, deemed to be the amount of such taxes for the entire period (or, in the case of such taxes determined on an arrears basis, the amount of such taxes for the immediately preceding period) multiplied by a fraction, the numerator of which is the number of calendar days in the period ending on the Closing Date and the denominator of which is the number of calendar days in the entire period.

Shareholders shall be responsible for preparing and filing all income tax reports and returns covering Company for tax periods beginning before the Closing Date, even if such reports and returns are not required to be filed until after the Closing Date.

3.3 Preparation and Filing of Income Tax Returns. Shareholders shall prepare, or cause to be prepared, and file or cause to be filed, all income tax reports and returns for any Pre-Closing Period. When preparing the income tax reports and returns of the Company for any Pre-Closing Tax Period, Shareholders shall prepare such reports and returns in a manner consistent with prior years and determine the income, gain, expenses, losses, deductions, and credits of Company consistently with prior practices. With respect to any such income tax report or return, Company shall provide to Shareholders the information

necessary to prepare such reports and returns no later than 60 days after the Closing Date. Shareholders shall submit such reports and returns to Purchaser a reasonable period before filing them with the respective taxing authorities and Shareholders shall permit Purchaser to review and comment upon such reports and returns and shall make such revisions to such returns as are reasonably requested by Purchaser.

3.4 Payment of Income and Franchise Taxes. Any taxable income or loss of Company for Federal income tax purposes for any Pre-Closing Tax Period (including income recognized as a result of the Section 338 Election) shall be included in all Federal income tax reports and returns that Shareholders file after the Closing Date. Shareholders shall pay all of the taxes owed with respect to such reports and returns when due. Notwithstanding any provision of this Agreement to the contrary, Shareholders shall indemnify and hold the Company and the Purchaser harmless for any California franchise taxes payable by the Company for all periods beginning on or before the Closing Date.

3.5 Cooperation on Tax Matters. Purchaser, Company and Shareholders shall cooperate fully, as and to the extent reasonable requested by the other party, in connection with the filing of tax returns and reports relating to a Pre Closing Tax Period and any audit, litigation of other proceeding with respect to taxes. Such cooperation shall include (x) making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and (y) providing such powers of attorney as are reasonable requested by the other party. During the period beginning on the Closing Date and ending on the day immediately preceding the seventh anniversary of the Closing Date, Shareholders and Purchaser shall provide each other with reasonable access during normal business hours to the books and records of Shareholders and Company, respectively, to the extent that such books and records relate to the condition or operation of Company prior to the Closing and Shareholders or Purchaser requires such books and records to prepare income tax reports or returns or respond to third party claims, including any audits or proceedings with respect to such reports or returns. Shareholders and Purchaser shall have the right to make copies of such books and records at its own expense. Prior to providing access to such books and records, Shareholders or Purchaser may redact such information that it considers appropriate. Shareholders shall indemnify Purchaser and Company for any claims arising in connection with any such access provided to Shareholders, and Purchaser shall indemnify Shareholders for any claims arising in connection with any such access provided to Purchaser.

ARTICLE IV
FURTHER AGREEMENTS

4.1 Employment Agreement. Prior to the Closing Date, Purchaser, the Company and Blake A. Miraglia shall execute an employment agreement (the "Employment Agreement") in the form attached as Exhibit B hereto.

4.2 Stock Restriction Agreement. Prior to the Closing Date, certain Shareholders and Purchaser shall execute a Stock Restriction Agreement ("Stock Restriction Agreement") in the form attached as Exhibit C hereto.

4.3 Voting Agreement. Prior to the Closing Date, certain Shareholders shall execute a Voting Agreement in the form attached as Exhibit D hereto.

4.4 Investor Representation Letter. Prior to the Closing Date, the Shareholders shall execute the Investor Representation Letter in the form of Exhibit E attached hereto.

4.5 Delivery into Escrow. Prior to or at the Closing, each of Purchaser, Company and the Shareholders shall execute an Escrow Agreement ("Escrow Agreement") substantially in the form attached as Exhibit F hereto, and shall cause the Escrow Agent (as such term is defined in the Escrow Agreement) to execute the Escrow Agreement prior to or at Closing. Purchaser shall deliver to Escrow Agent one hundred percent (100%) of the shares of Purchaser Common Stock which the Shareholders are entitled to receive pursuant to section 2.1 hereof, cashier's checks in the aggregate amount of \$6,300,000 and the Notes.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

5.1 General Statement. The parties make the representations and warranties to each other which are set forth in this Article V. The survival of all such representations and warranties shall be in accordance with section 10.1 hereof. All representations and warranties of the parties are made subject to the exceptions which are noted in the respective schedules delivered by the parties to each other concurrently herewith and identified as, in the case of

section 5.2, the "Purchaser Disclosure Schedule" in the form of Exhibit G, and in the case of section 5.3, as the "Company Disclosure Schedule" in the form of Exhibit H. Copies of all documents referenced in the Purchaser Disclosure Schedule (other than documents filed by the Purchaser with the Securities and Exchange Commission pursuant to the Securities Act of 1933 as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended (the "Exchange Act") or Company Disclosure Schedule shall be attached thereto.

5.2 Representations and Warranties of Purchaser. Purchaser represents and warrants to Company and Shareholders, as of the date hereof, and at the Closing Date, subject to the exceptions set forth in the Purchaser Disclosure Statement, which shall be deemed to qualify all applicable representations and warranties under this Agreement whether or not specifically cross-referenced as pertaining thereto:

(a) Organization and Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation. Purchaser has all requisite corporate power and authority to own, operate and lease its properties and carry on its business as now conducted, and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect. Whenever used in this Agreement, "Material Adverse Effect" shall mean a material adverse effect on the business, properties, prospects, condition (financial or otherwise) or results of operations of Purchaser.

(b) Authorization of Transaction. Purchaser has the full power and authority (including full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of Purchaser, enforceable in accordance with its terms and conditions.

(c) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge or other restriction of any government, governmental agency or court which Purchaser is subject to or provision of the charter or by-laws of Purchaser, or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration, create in any party the right to accelerate, terminate, modify or cancel or require any notice, under any agreement, contract, lease, license, instrument or other arrangement to which Purchaser is a party or by which it is bound or to which any of its assets is subject, except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation or failure to give notice would not have a Material Adverse Effect on the ability of the parties to consummate the transactions contemplated by the Agreement. Other than in connection with the provisions of the California General Corporation Law, Purchaser does not need to give any notice to, make any filing with, or obtain any authorization, consent or approval of any government or governmental agency in order for the parties to consummate the transactions contemplated by this Agreement, except where the failure to give notice, to file, or obtain any authorization, consent or approval would not have a Material Adverse Effect on the ability of the parties to consummate the transactions contemplated by this Agreement.

(d) Brokers' Fees. Purchaser has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Company could become liable or obligated.

(e) Purchaser Capital Stock.

(a) The authorized capital stock of Purchaser consists of 20,000,000 shares of Common Stock and 10,000,000 shares of Preferred Stock. As of the date hereof and immediately prior to the Closing Date, approximately 7,012,846 shares of Common Stock and no shares of Preferred Stock will be issued and outstanding. All of the issued and outstanding shares of Purchaser's Common Stock are duly authorized, validly issued in compliance with all federal and state securities laws, and fully paid and nonassessable.

(b) Except as disclosed in this Agreement (Purchaser Disclosure Schedule) to the Company and Shareholders, there (i) are no outstanding options, warrants or other rights to purchase or otherwise to receive from Purchaser any of the authorized but unissued or treasury shares of the capital stock or any other security of Purchaser, (ii) is no outstanding security of any kind convertible into or exchangeable for such capital stock, and (iii) is no voting trust or other agreement or understanding to which Purchaser is a party or is bound with respect to the voting of the Capital Stock of Purchaser.

(f) Taxes. All tax returns, statements, reports and forms (including estimated tax returns and reports and information returns and reports) required to be filed with any tax authority with respect to any taxable period ending on

or before the consummation of the transactions set forth herein, by or on behalf of Purchaser (collectively, the "Purchaser Returns"), have been or will be filed when due (including any extensions of such due date), and all amounts shown to be due thereon on or before the Closing have been or will be paid on or before such date, except to the extent such failure to file or pay has not had and could not reasonably be expected to have a Material Adverse Effect. Whenever used in this Agreement, the phrase "Material Adverse Effect" shall mean a material adverse effect on the business, properties, prospects, conditions (financial or otherwise) or results of operations of Purchaser or its subsidiaries on a consolidated basis.

(g) Financial Statements and Reports. Purchaser has timely filed all required forms, reports, statements and documents with the Securities and Exchange Commission (the "Commission") all of which have complied in all material respects with all applicable requirements of the Securities act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Purchaser has delivered or made available to the Company and the Shareholders true and complete copies of (i) Purchaser's annual Reports on Form 10-K for the fiscal year ended July 31, 1997, (ii) its proxy statement relating to Purchaser's annual stockholders meeting for the fiscal year ended July 31, 1997, (iii) reports filed on Form 10-Q for the quarters ended October 31, 1997, January 31, 1998 and April 30, 1998 by Purchaser with the Commission pursuant to the Exchange Act, and (iv) all reports, statements and other information provided by Purchaser to its stockholders since July 31, 1997 (collectively, the Purchaser Reports"). As of their respective dates, the Purchaser Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The consolidated financial statements of Purchaser included or incorporated by reference in the Purchaser Reports were prepared in accordance with GAAP applied on a consistent basis (except as otherwise stated in such financial statements or, in the case of audited statements, the related report thereon of independent certified public accounts), and present fairly the financial position and results of operations, cash flows and of changes in stockholders' equity of Purchaser and its consolidated subsidiaries as of the dates and for the periods indicated, subject in the case of unaudited interim financial statements, to normal year-end audit adjustments, none of which either singly or in the aggregate are or will be material, and except that the unaudited interim financial statements do not contain all of the disclosures required by GAAP. Purchaser is and has been subject to the reporting requirements of the Exchange Act and has timely filed with the Commission all periodic reports required to be filed by it pursuant thereto and all reports required to be filed under Sections 13, 14 or 15(d) of the Exchange Act since July 31, 1991.

(h) Governmental Authorizations and Licenses. Purchaser has all material licenses, orders, authorizations, permits, concessions, certificates and other franchises or analogous instruments of any governmental entity required by applicable law to operate its business (collectively, the "Purchaser Government Licenses") which Purchaser Government Licenses are in full force and effect, and is in compliance with the terms, conditions, limitations, restrictions, standards, prohibitions, requirements and obligations of such Purchaser Government Licenses except to the extent failure to hold and maintain such Purchaser Government Licenses or to so comply would not be reasonably likely to have a Material Adverse Effect. There is not now pending, nor to the best knowledge of Purchaser is there threatened, any action, suit, investigation or proceeding against Purchaser before any governmental entity with respect to the Purchaser Government Licenses, nor is there any issued or outstanding notice, order or complaint with respect to the violation by Purchaser of the terms of any Purchaser Government License or any rule or regulation applicable thereto, except to the extent that any such action would not be reasonably likely to have a Material Adverse Effect.

(i) Disclosure. Neither this Agreement, nor any of the schedules, attachments, exhibits, written statements, documents, certificates or other materials prepared or supplied by Purchaser with respect to the transactions contemplated hereby contain any untrue statements of a material fact or omit a material fact necessary to make the statements contained herein or therein not misleading.

(j) Registration Rights. Except as contemplated by this Agreement and as provided in outstanding warrants, debentures and options or agreements relating thereto, Purchaser is not party to any "registration rights agreement" or any similar agreement pursuant to which any person or entity would have the right to cause, under any circumstances, the registration of the Purchaser's securities under the Securities Act of 1933, as amended.

(k) Absence of Certain Changes of Events. Except as set forth in the Purchaser Reports, since July 31, 1997, there has not been any fact, event, circumstance or change specifically affecting or relating to Purchaser and its subsidiaries (and not the pawn industry in general) which has had or is reasonably likely to have a Material Adverse Effect.

(l) Absence of Undisclosed Liabilities. Except for (i) liabilities or obligations which are accrued or reserved against in the Purchaser Reports (reflected in the notes thereto), (ii) liabilities and obligations incurred in the ordinary course of business since the most recent date of the consolidated financial statements of Purchaser, (iii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles ("GAAP") to be reflected in the consolidated financial statement of Purchaser and (iv) the liabilities and obligations listed on Purchaser's Disclosure Schedule, Purchaser has no liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise, of a nature required by GAAP to be reflected in a balance sheet (or reflected in the notes thereto) or which would have a Material Adverse Effect.

(m) Litigation. Except for litigation disclosed in the notes to the financial statements included in the Purchaser Reports and reflected on Purchaser's Disclosure Schedule, there is no suit, action, proceeding or investigation pending or, to the best of knowledge of Purchaser, threatened against or affecting Purchaser or any of its subsidiaries, the outcome of which, in the reasonable judgment of Purchaser, is likely to have a material adverse effect, nor is there any judgment, decree, injunction, ruling or order of any court, governmental, regulatory or administrative department, commission, agency or instrumentality, arbitrator or any other person outstanding against Purchaser or any of its subsidiaries having, or which is reasonably likely to have, a Material Adverse Effect.

(n) Compliance with Laws. To the best of its knowledge, Purchaser has complied with all foreign, federal, state, local and county laws, ordinances, regulations, judgments, orders, decrees or rules of any court, arbitrator or governmental, regulatory or administrative agency or entity applicable to its business, except where the failure to so comply would not have a Material Adverse Effect. Purchaser has not received any governmental notice of any violations by Purchaser of any such laws, ordinances, regulations or orders, which violation has not been cured or remedied except where the failure to cure or remedy the violation would not have a Material Adverse Effect.

5.3 Representations and Warranties of Company. Company and each of the Shareholders represent and warrant to Purchaser as of the date hereof and on the Closing Date as follows, subject to the exceptions set forth in the Company Disclosure Schedule, which shall be deemed to qualify all applicable representations and warranties under this Agreement whether or not specifically cross-referenced as pertaining thereto.

(a) Organization, Qualification and Corporate Power. Company is a corporation duly incorporated, validly existing, and in good standing under the laws of the state of California. Company is duly authorized to conduct business and is in good standing under the laws of each jurisdiction where the failure to so qualify would have a Material Adverse Effect. Company has full corporate power and authority to carry on the business in which it is engaged and to own and use the properties owned and used by it.

(b) Capitalization. The entire authorized capital stock of the Company consists of 1,100,000 shares of common stock, of which 1,074,703 shares are issued and outstanding. All of the issued and outstanding shares of Company have been duly authorized, are validly issued, fully paid, and nonassessable and are owned by the Shareholders. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require the Company to issue, sell or otherwise cause to become outstanding any of its capital stock. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Company.

(c) Authorization of Transaction. Company has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder; provided, however, that the Company cannot consummate the Purchase unless and until it receives the approval of all of the Shareholders. This Agreement constitutes the valid and legally binding obligation of the Company, enforceable by Purchaser in accordance with its terms and conditions.

(d) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Company is subject or any provision of the charter or bylaws of Company or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Company is a party or by which it is bound or to which any of its

assets is subject (or result in the imposition of any security interest upon any of its assets). Other than in connection with the provisions of the California General Corporation Law, Company does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the parties to consummate the transactions contemplated by this Agreement.

(e) Financial Statements. The proforma financial statements of Miraglia, Inc., which includes Miraglia, Inc., Vanraglia I, Inc., Vanraglia II, Inc., Vanraglia III, Inc., and Vanraglia IV, Inc., (including the related schedules) for the year ended and as of December 31, 1997 and for the five months ended and as of May 31, 1998 have been prepared in accordance with generally accepted accounting principles, except such financial statements do not include all the disclosures required by generally accepted accounting principles and such proforma financial statements assume all the above listed entities have been merged into Miraglia, Inc. as of January 1, 1997, applied on a consistent basis throughout the periods covered thereby and present fairly the financial condition of Miraglia, Inc. as of the indicated dates and the results of operations of Miraglia, Inc. for the indicated periods, are correct and complete in all material respects, and are consistent with the books and records of Miraglia, Inc. The above proforma financial statements (including related schedules) have been prepared on the assumption that Vanraglia I, Inc., Vanraglia II, Inc., Vanraglia III, Inc. and Vanraglia IV, Inc. had merged into the Company effective January 1, 1997. In fact, such merger was effective June 3, 1998.

(f) Events Subsequent to April 30, 1998. Since April 30, 1998, there has not been any material adverse change in the business, financial condition, operations, results of operations, or future prospects of Company.

(g) Undisclosed Liabilities. Company has no liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for taxes, except for (i) liabilities set forth in the face of the balance sheets dated April 30, 1998 and outstanding at the Closing Date, (ii) liabilities which have arisen after April 30, 1998, in the ordinary course of business (none of which results from, arises out of, relates to, is in the nature of, or was caused by breach of contract, breach of warranty, tort, infringement, or violation of law) and (iii) liabilities not required under generally accepted accounting principles to be reported on the April 30, 1998 balance sheet of the Company.

(h) Brokers' Fees. The Shareholders shall be responsible for and pay any fees or commissions to any broker, finder, or agent engaged by any of the Shareholders or Company with respect to the transactions contemplated by this Agreement.

(i) Taxes. With respect to Taxes (as defined below:)

(i) Company and each of its corporate predecessors have filed, within the time and in the manner prescribed by law, all returns, declarations, reports, estimates, information returns and statements ("Returns") required to be filed under federal, state, local or any foreign laws by Company or such corporate predecessors, and all such Returns are true, correct and complete in all material respects.

(ii) Except as set forth on Schedule 5.3(i)(ii) of Company Disclosure Schedule, Company has within the time and in the manner prescribed by law, paid (and until the Effective Time will, within the time and in the manner prescribed by law, pay) all Taxes (as defined below) that are due and payable.

(iii) There are no liens for Taxes upon the assets of Company except liens for Taxes not yet due.

(iv) Company and each of its corporate predecessors have made an election under section 1362(a) of the Internal Revenue Code of 1986, as amended (the "Code") to be an S corporation for the calendar years 1997 and 1998 and all prior years since their respective organization.

(v) Except as set forth in Schedule 5.3(i)(vi) of Company Disclosure Schedule (which shall set forth the type of return, date filed, and date of expiration of the statute of limitations), (i) the statute of limitations for the assessment of federal income taxes has expired for all federal income tax returns of Company and each of its corporate predecessors, or such Returns have been examined by the Internal Revenue Service for all periods through December 31, 1994; (ii) the statute of limitations for the assessment of state, local and foreign income taxes has expired

for all applicable Returns of Company and each of its corporate predecessors or such Returns have been examined by the appropriate tax authorities for all periods through December 31, 1993; and (iii) no deficiency for any Taxes has been proposed, asserted or assessed against Company which has not been resolved and paid in full.

- (vi) There are no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Returns that have been given by Company or any of its corporate predecessors.
- (vii) Except as set forth on Schedule 5.3(i)(viii) of Company Disclosure Schedule (which shall set forth the nature of the proceeding, the type of return, the deficiencies proposed or assessed and the amount thereof, and the taxable year in question), no federal, state, local or foreign audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes or Returns.
- (viii) Company is not a party to any tax-sharing or allocation agreement, nor does Company owe any amount under any tax-sharing or allocation agreement.
- (ix) No amounts payable under any plan, agreement or arrangement will fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code.
- (x) Company has complied (and until the Closing Date will comply) in all respect with all applicable laws, rules and regulations relating to the payment and withholding of Taxes (including, without limitation, withholding of Taxes pursuant to Sections 1441 or 1442 of the Code or similar provisions under any foreign laws) and have, within the time and in the manner prescribed by law, withheld from employee wages and paid over to the proper governmental authorities all amounts required to be so withheld and paid over under all applicable laws.
- (xi) Company has not ever been (and does not have any liability for unpaid Taxes because it once was) a member of an "affiliated group" within the meaning of section 1502 of the Code during any part of any consolidated return year within any part of which year any corporation other than Company was also a member of such affiliated group.
- (xii) For purposes of this Agreement, "Taxes" shall mean all taxes, charges, fees, levies or other assessments of whatever kind or nature, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp, occupancy or property taxes, customs duties, fees, assessments or charges of any kind whatsoever (together with any interest and any penalties, additions to tax or additional amounts) imposed by any taxing authority (domestic or foreign) upon or payable by Company or any of its corporate predecessors.

(j) Agreements. Except as listed and disclosed on the Company Disclosure Schedule attached to this Agreement, Company is not subject to any employment agreement, contract, lease or other agreement which involve aggregate payment obligations of the Company in excess of \$25,000, excluding the leases relating to the locations listed in Exhibit I, any software or hardware sales to customers and software or hardware purchases from vendors of the Company and liabilities as reflected in the May 31, 1998 balance sheet of the Company. Company is not subject to any agreement with any software customer or licensee which provides for restricting or limiting the Company's competition or the disclosure of the Company's information by the Company.

(k) Employees. Company has furnished to Purchaser a list of each compensation arrangement for each employee and furnished to Purchaser a copy of each employee pension plan, employee profit sharing plan and employee welfare benefit plan.

(l) Litigation and Claims. Except as disclosed on the Company Disclosure Schedule, Company is not subject to any litigation or claims or is a party to any decree or judgment.

(m) Subsidiaries. Company has no subsidiaries.

(n) Intangible Assets. Company is the owner of or has the lawful right to use all Intangible Property Rights and all other intangible assets used in

connection with the business of Company, including, but not limited to, all software used or licensed by Company in connection with the business of Company and the right to use the names "Answers, etc." and "Cash & Go." No person or entity has any ownership interest in or right to payment attributable to or arising out of the use of such intangible assets except pursuant to applicable license agreements. As used herein, the term "Intellectual Property Rights" means all industrial and intellectual property rights, including, without limitation, patents, patent applications, trademark rights, trademarks, trademark applications, trade names, service marks, service mark applications, copyrights, copyright applications, know-how, trade secrets, proprietary processes and formulae, confidential information, franchises, licenses, inventions, instructions, marketing materials, trade dress, logos and designs and all documentation and media constituting, describing or relating to the foregoing, including, without limitation, manuals, memoranda and records.

(o) Intellectual Property.

(i) Company has the right to use, sell, license and dispose of, and has the right to bring actions for the infringement of, all Intellectual Property Rights necessary or required for the conduct of its business as currently conducted and such rights to use, sell, license, dispose of and bring actions are sufficient for such conduct of its business.

(ii) Except as set forth in the Company Disclosure Schedule, there are no royalties, honoraria, fees or other payments payable by Company to any person by reason of the ownership, use, license, sale or disposition of the Intellectual Property Rights.

(iii) Except as set forth in the Company Disclosure Schedule, no activity, service or procedure currently conducted by Company violates or will violate any contract of Company with any third party or, to the Company's knowledge, infringe any Intellectual Property Right of any other party or person.

(iv) Except as set forth in the Company Disclosure Schedule, Company has not received from any third party in the past three years any notice, charge, claim or other assertion that Company is infringing any Intellectual Property Rights of any third party or committed any acts of unfair competition, and no such claim is impliedly threatened by an offer to license from a third party under a claim of use.

(v) Except as set forth in the Company Disclosure Schedule, Company has not sent to any third party in the past three years nor otherwise communicated to another person any notice, charge, claim or other assertion of infringement by or misappropriation of any Intellectual Property Rights of Company by such other person or any acts of unfair competition by such other person, nor is any such infringement, misappropriation or unfair competition threatened or to the Company's knowledge, occurring.

(vi) The Company Disclosure Schedule contains a true and complete list of all applications, filings and other formal actions made or taken by Company to perfect or protect its interest in the Intellectual Property Rights, including, without limitation, all patents, patent applications, trademarks, trademark applications, service marks, service mark applications, copyrights and copyright applications.

(p) Title to Assets, Properties and Rights and Related Matters. Company has such rights and interests in the Intellectual Property Rights as provided in Section 5.3(o) and except as set forth in the Company Disclosure Schedule, good and marketable title to all other assets, properties and interests in properties, real or personal, reflected on the financial statement as of May 31, 1998 or acquired after May 31, 1998 (except (i) inventory sold since May 31, 1998 in the ordinary course of business, and (ii) accounts receivable and notes receivable to the extent paid subsequent to May 31, 1998), free and clear of all encumbrances of any kind or character, except for those encumbrances set forth in the Company Disclosure Schedule. Company has good and marketable title to the assets and properties located at the locations listed on Exhibit I.

(q) Compliance With Laws. Company is in material compliance with all laws, regulations, rules and ordinances in any manner relating to the ownership or operation of the business or businesses of Company which non-compliance would have a Material Adverse Effect on the Company. Company is not a party to any agreement or other arrangement which limits or restricts competition or the disclosure of information.

(r) Distributions. There have been no distributions to Shareholders during 1997 or 1998, except for the purpose of paying income taxes incurred by the Shareholders on the net income of Company or to meet the Company's employment obligations to Blake Miraglia, Jimmy Seale, Paulette Myers or Bruce Myers. Excluding distributions between affiliated companies or corporations, all distributions by Company to Shareholders during 1997 and 1998 are listed in

(s) Vanraglia I, Inc., Vanraglia II, Inc., Vanraglia III, Inc., and Vanraglia IV, Inc. were merged with and into Company on June 3, 1998.

(t) Disclosure. Neither this Agreement, nor any of the schedules, attachments, exhibits, written statements, documents, certificates or other materials prepared or supplied by Purchaser with respect to the transactions contemplated hereby contain any untrue statements of a material fact or omit a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE VI
COVENANTS

6.1 Conduct of Business of Company Pending the Asset Purchase and the Purchase. Company agrees that from the date hereof and prior to the Closing Date or earlier termination of this Agreement:

(a) Full access. Company shall permit representatives of Purchaser to have full access to all premises, properties, personnel, books, records, contracts and documents pertaining to Company;

(b) Operation of Business. Company will not engage in any practice, take any action, or enter into any transaction outside the ordinary course of business. Without limiting the generality of the foregoing:

(i) Company will not authorize or effect any change in its charter or bylaws;

(ii) Company will not grant any options, warrants, or other rights to purchase or obtain any of its capital stock or issue, sell, or otherwise dispose of any of its capital stock.

(iii) Company will not declare, set aside, or pay any dividend or distribution with respect to its capital stock (whether in cash or in kind), or redeem, repurchase, or otherwise acquire any of its capital stock);

(iv) Company will not issue any note, bond, or other debt security or create, incur, assume, or guarantee any indebtedness for borrowed money or capitalized lease obligation;

(v) Company will not impose any security interest upon any of its assets;

(vi) Company will not make any capital investment in, make any loan to, or acquire the securities or assets of any other person outside the ordinary course of business;

(vii) Company will not make any change in employment terms for any of its directors, officers, and employees outside the ordinary course of business; and

(viii) Company will not commit to any of the foregoing.

(c) Exclusivity. Company shall not solicit, initiate or encourage the submission of any proposal or offer from any person relating to the acquisition of all or substantially all of the capital stock or assets of Company. Company shall notify the Purchaser immediately if any person makes any proposal, offer, inquiry or contact with respect to any of the foregoing.

6.2 Consents of Lessors. Company and Shareholders agree to use their reasonable efforts to obtain the written approvals of all lessors and other parties to all amendments to leases and other contracts required by Purchaser.

6.3 Noncompetition. Each of Shareholders unconditionally agree that prior to June 1, 2008 none of the Shareholders shall (1) enter into any agreement with or directly or indirectly solicit employees or representatives of Purchaser (or its corporate successor) or any of its subsidiaries for the purpose of causing them to leave Purchaser (or its corporate successor) or any of its subsidiaries to take employment with any of the Shareholders or any other person or business entity, (2) compete, directly or indirectly, in the pawn business, the check cashing business, the pay day loan business or the business of providing software to the check cashing industry (each a "Competitive Business") with Purchaser (or its corporate successor) or any of its subsidiaries or any person or entity for whom Purchaser (or its corporate successor) or any of its subsidiaries manages a business in the United States of America, (3) act as an officer, director, consultant, shareholder, partner, lender, agent, associate or

principal of any entity engaged in a Competitive Business in the United States of America, (4) participate directly or indirectly in the ownership, management, operation or control of any Competitive Business in the United States of America; (5) solicit customers or potential customers of Purchaser (or its corporate successor) or any of its subsidiaries in the United States of America in connection with a Competitive Business, or (6) own or apply for a license or permit in the United States of America for use in a Competitive Business. To induce Purchaser to enter into this Agreement and to acquire the Shares, Shareholders unconditionally represent and warrant to Purchaser that the restrictions in the foregoing provision are reasonable and that such provision is necessary to protect the businesses of Purchaser, Company and their respective subsidiaries. Each of Shareholders acknowledge that Purchaser is entering into this Agreement in reliance upon the foregoing representation and warranty of the Shareholders and that the Purchaser and Company competes or will compete with other businesses that are or could be located in any part of the United States. As used herein, the term "participate in" shall mean that any Shareholder shall directly or indirectly, for his own benefit or for, with or through any other person, firm or corporation, own, manage, operate or control a business, loan money to, or participate in the ownership, management, or control of a business, or be connected with a business as a director, officer, employee, partner, consultant, agent, independent contractor or otherwise. As used herein, the term "subsidiary" shall mean any corporation more than fifty percent (50%) of the capital stock is owned directly or indirectly by Purchaser or Company or the corporate parent of Purchaser or Subsidiary. Notwithstanding the foregoing, any of Shareholders shall be entitled to engage in a Competitive Business at any time (1) after a Change in Control (as hereinafter defined) at any store or location which is not within a ten (10) mile radius of any store or location owned, operated or managed by Purchaser, Company, any of their respective subsidiaries or by any corporation which acquires all or substantially all of the assets or capital stock of Purchaser, Company or any of their respective subsidiaries at the time of a change in control or any time thereafter or (2) during the continuance of an Event of Default described in subparagraphs (a), (c) or (d) in the definition of Event of Default in the Notes. As used herein, the phrase "Change in Control" shall mean (a) the termination of employment of both Rick Powell and Rick L. Wessel or (b) the acquisition in a single transaction or a series of related transactions of all of the capital stock or assets of Purchaser.

In the event of the breach by any of Shareholders of any of the covenants contained in this Section 6.3, it is understood that damages will be difficult to ascertain and Purchaser (or its corporate successor) or Company may petition a court of law or equity for injunctive relief in addition to any other relief which Purchaser (or its corporate successor) or Company may have under law, this Agreement or any other agreement in connection therewith. In connection with the bringing of any legal or equitable action for the enforcement of this Agreement, Purchaser (or its corporate successor) and Company shall be entitled to recover, whether Purchaser (or its corporate successor) or Company seeks equitable relief, and regardless of what relief is afforded, such reasonable attorney's fees and expenses as Purchaser (or its corporate successor) may incur in prosecution of Purchaser's or Company's claim for breach hereof. The existence of any claim or cause of action of any of Shareholders against Purchaser or Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Purchaser or Company of the covenants and agreements of Shareholders contained in this Section 6.3. Each of Shareholders unconditionally agree to indemnify and hold harmless Purchaser (or its corporate successor) and Company of and from all losses, damages, costs and expenses arising out of or attributable to the breach by such Shareholder of this Section 6.3.

6.4 Third Party Consents. Except as otherwise explicitly provided hereunder, each party to this Agreement shall use its best efforts to obtain, as soon as reasonably practicable, all permits, authorizations, consents, waivers and approvals from third parties or governmental authorities necessary to consummate this Agreement and the transactions contemplated hereby or thereby, including, without limitation, any permits, authorizations, consents, waivers and approvals required in connection with the Purchase.

6.5 Releases. Purchaser shall use reasonable efforts to have the Shareholders released from liability under guaranty agreements and lease agreements relating to Company. If this Agreement is consummated, Purchaser shall indemnify and hold harmless the Shareholders for any loss, payment, cost or expense, including reasonable attorneys fees, obligations and liabilities under guaranty agreements and lease agreements attributable to the period after the Closing Date or attributable prior to the Closing Date to the extent disclosed in connection with or under this Agreement.

6.6 Limitations on Grant of Options. Annual grants of options, warrants, stock appreciation rights and similar rights (collectively, "Rights") by Purchaser to consultants, directors, officers and employees shall be limited to eight and one-half percent (8.5%) in the aggregate of the weighted average outstanding shares of common stock of Purchaser (as determined by generally

accepted accounting principles) between April 1, 1998 and March 31, 1999, three and one-quarter percent (3.25%) in the aggregate of the weighted average outstanding shares of common stock of Purchaser (as determined by generally accepted accounting principles) between April 1, 1999 and March 31, 2000, and three and one-quarter percent (3.25%) in the aggregate of the weighted average outstanding shares of common stock of Purchaser between April 1, 2000 and March 31, 2001 (each percentage in this sentence being a "Ceiling Percentage"). If annual grants of Rights exceed five percent (5.0%) in the aggregate of the weighted average outstanding shares of common stock of Purchaser (as determined by generally accepted accounting principles) between April 1, 1998 and March 31, 1999 or exceed two percent (2.0%) in the aggregate of the weighted average outstanding shares of common stock of Purchaser between April 1, 1999 and March 31, 2000 (the "Second Year") or between April 1, 2000 and March 31, 2001 (the "Third Year") (each percentage in the preceding phrase being a "Trigger Percentage"), there shall be issued to Blake A. Miraglia warrants for a five (5) year term in an amount determined by multiplying (a) the difference between the percentage of Rights actually issued determined by the weighted outstanding shares of common stock of Purchaser (as determined by generally accepted accounting principles) during such one year period and the Trigger Percentage for the particular year times eight hundred fifty thousand (850,000). The Ceiling Percentage and the Trigger Percentage specified in the preceding sentences for the Second Year and for the Third Year shall be increased on a cumulative basis by the percentage by which the Rights actually issued determined by the weighted average outstanding shares of common stock of Purchaser (as determined by generally accepted accounting principles) in each of the preceding years since April 1, 1998 was less than the Ceiling Percentage(s) and the Trigger Percentage(s) specified in the preceding sentences. The effective date of any warrants issued to Blake A. Miraglia shall be the date the particular Trigger Percentage was exceeded. The exercise price of any warrants to be issued to Blake A. Miraglia pursuant to this section 6.6 shall be the weighted average exercise price of the Rights issued during the year of such Trigger Percentage was exceeded. The option or exercise price of warrants, options, stock appreciation rights and similar rights outstanding on or after April 1, 1998 shall not be lowered or reissued for a period of at least three (3) years after April 1, 1998. No warrants, options, stock appreciation rights or similar rights shall be issued by Purchaser having an exercise or conversion price at less than the fair market value of the common stock of Purchaser on the effective date of the grant.

6.7 Registration of Stock. Purchaser shall use its reasonable best efforts to file a registration statement by October 31, 1998 and to register the stock of Purchaser to be issued to the Shareholders pursuant to this Agreement under the Securities Act of 1933, as amended, by December 31, 1998. Purchaser shall cause the registration statement to remain effective until the latter of (a) one year after the effective date of the registration statement or (b) the Voting Agreement has terminated, or (c) none of Shareholders are subject to Rule 144 promulgated under the Securities Act of 1933 as amended.

6.8 Confidentiality. For a period of two (2) years after the Closing Date, each of the Shareholders will treat and hold as such all of the Confidential Information (as hereinafter defined), refrain from using any of the Confidential Information except in connection with this Agreement, and deliver promptly to the Purchaser or destroy, at the request and option of the Purchaser, all tangible embodiments (and all copies) of the Confidential Information which are in his or its possession. In the event that any of the Shareholders is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigation demand, or similar process) to disclose any Confidential Information, that Shareholder will notify the Purchaser promptly of the request or requirement so that the Purchaser may seek an appropriate protective order or waive compliance with the provisions of the section 6.8. If, in the absence of a protective order or the receipt of a waiver hereunder, any of the Shareholders is, on the advice of counsel, compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt, that Shareholder may disclose the Confidential Information to the tribunal; provided however, that the disclosing Shareholder shall use his best efforts to obtain, at the request of the Purchaser, an order or other assurance that confidential treatment will be accorded to such portion of the Confidential Information required to be disclosed as the Purchaser shall designate. The foregoing provisions shall not apply to any Confidential Information which is generally available to the public immediately prior to the time of disclosure. As used herein the term "Confidential Information" shall mean any information concerning the businesses and affairs of Company that is not generally available to the public.

ARTICLE VII
CONDITIONS TO CLOSING

7.1 Conditions to Each Party's Obligation to Effect the Asset Purchase and the Purchase. The respective obligations of each party to effect the Asset

Purchase and the Purchase shall be subject to the fulfillment of all of the following conditions precedent at or prior to the Closing Date:

(a) The Asset Purchase and the Purchase shall be approved by the Shareholders of Company;

(b) No injunction, order or decree by any Federal, state or foreign court which prevents the consummation of Asset Purchase and the Purchase shall have been issued;

(c) No statute or regulation shall exist or be enacted which would prevent consummation of the Asset Purchase or the Purchase;

(d) All governmental consents and approvals required for the Asset Purchase or the Purchase shall have been obtained;

(e) The Internal Revenue Service and the California Franchise Tax Board shall determine that the S corporation elections under section 1362(a) of the Internal Revenue Code made by the Company, Vanraglia I, Inc., Vanraglia II, Inc., Vanraglia III, Inc. and Vanraglia IV, Inc. were inadvertently invalid and shall allow Company and each of such corporate predecessors to be treated as S corporations from and subsequent to the dates originally requested for such treatment.

7.2 Conditions to Obligations of Company to Effect the Asset Purchase and of Shareholders to Consummate the Purchase. The obligation of Company to consummate the Asset Purchase and the obligation of Shareholders to consummate the Purchase is subject to fulfillment of all of the following conditions precedent at or prior to the Closing Date:

(a) All representations and warranties in Section 5.2 shall be true and correct in all material respects;

(b) Purchaser shall have performed and complied with all obligations, agreements and covenants under this Agreement;

(c) Company shall have received a certificate of the chief financial officer of Purchaser certifying that the conditions in Sections 7.2(a) and 7.2(b) have been fulfilled;

(d) No action, suit or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree or ruling would (A) prevent consummation of any of the transactions contemplated by this Agreement; (B) cause the business operations of Company or any of the transactions contemplated by this Agreement to be in violation of such injunction, judgment, order, decree or ruling or applicable law, (C) affect adversely the right of Shareholder to own the capital stock of the Purchaser or (D) adversely affect the right of the Company to own its assets and to operate its business (and no such injunction, judgment, order, decree, ruling or charge shall be in effect)

(e) All consents and approvals necessary for the consummation of the Purchase shall have been obtained;

(f) No material adverse change has occurred in the business, operations or prospects of Purchaser;

(g) The Employment Agreement, in the form attached hereto as Exhibit B, shall be executed by Purchaser and Company;

(h) Purchaser shall have delivered to Company and the Shareholders the written opinion of Purchaser's legal counsel in the form attached hereto as Exhibit K dated as of the Closing Date.

(i) The shares of Purchaser's Common Stock to be issued hereunder shall be approved for listing on the Nasdaq National Market System.

7.3 Conditions to Obligations of Purchaser to Effect the Asset Purchase and the Purchase. The obligations of Purchaser to effect and consummate the Asset Purchase and the Purchase are subject to the fulfillment of all of the following conditions precedent at or prior to the Closing Date.

(a) The representations and warranties in section 5.3 made by Company and the Shareholders are true and correct in all material respects;

(b) Company and the Shareholders shall have performed and complied with all of their respective obligations under this Agreement;

(c) No action, suit or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state,

local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree or ruling would (A) prevent consummation of any of the transactions contemplated by this Agreement; (B) cause the business operations of Company or any of the transactions contemplated by this Agreement to be in violation of such injunction, judgment, order, decree or ruling or applicable law, (C) affect adversely the right of Purchaser to own the capital stock of the Company or (D) adversely affect the right of the Company to own its assets and to operate its business (and no such injunction, judgment, order, decree, ruling or charge shall be in effect);

(d) Purchaser shall have received a certificate of president of Company certifying that the conditions contained in Section 7.3(a) and 7.3(b) have been fulfilled;

(e) The Employment Agreement, in the form attached hereto as Exhibit B, shall be executed by Blake A. Miraglia;

(f) The Stock Restriction Agreement in the form attached hereto as Exhibit C shall be fully executed and shall be in full force and effect;

(g) The Voting Agreement in the form attached hereto as Exhibit D shall be fully executed and shall be in full force and effect;

(h) The Investor Representation Letter in the form of Exhibit E shall have been executed by each of the Shareholders;

(i) Purchaser shall have received from each of the Shareholders executed assignments of all of the Shares in form satisfactory to Purchaser and original stock certificates evidencing the ownership of all of the Shares, together with stock powers in form satisfactory to Purchaser executed by each of the Shareholders;

(j) All consents and approvals necessary for the consummation of the Purchase shall have been obtained;

(k) Company shall have delivered to Purchaser the written opinion of counsel to Company and Shareholders, substantially in the form attached hereto as Exhibit L, dated as of the Closing Date;

(l) No material adverse change has occurred in the business, operations or prospects of Company;

(m) All lessors of real property and personal property shall have executed all lease amendments required by Purchaser in form satisfactory to Purchaser and new lease agreements in form satisfactory to Purchaser shall have been executed by all persons and entities required by Purchaser;

(n) Proforma financial statements of Miraglia, Inc. for the periods indicated in Section 5.3(e) satisfactory to Purchaser (prepared in accordance with generally accepted accounting principles and on the basis as described in Section 5.3(e)) shall have been received by Purchaser;

(o) All licenses, permits and approvals necessary to own and operate the business operated by Company as a subsidiary of Purchaser shall have been obtained by Company.

(p) Purchaser shall have received a certificate executed by the secretary of Company which includes: (1) a copy of Company's Articles of Incorporation and copies of all merger agreements to which Company was a party, certified by the California Secretary of State; (2) a copy of the bylaws of Company; (3) a current certificate of existence issued by the California Secretary of State; (4) a copy of the resolutions of the Board of Directors of Company which approved this Agreement; and (5) an incumbency certificate setting forth the names, offices and signatures of Company's officers who execute any documents on behalf of Company in connection with this Agreement; and

(q) Purchaser shall have received the resignation of each of the directors and officers of Company.

(r) Purchaser shall have received copies of the approvals by the Internal Revenue Service of amended Forms 2553 (Election By A Small Business Corporation) of Vanraglia I, Inc., Vanraglia II, Inc., Vanraglia III, Inc., Vanraglia IV, Inc. and Company to be filed with the Internal Revenue Service after the date of this Agreement, which approvals shall be retroactive to the date of organization of each such corporation.

8.1 General Indemnification Covenants. Subject to the provisions of Sections 8.3 and 8.4, the Shareholders shall indemnify, save and keep Purchaser, Company and their respective affiliates, successors and permitted assigns (the "Purchaser Indemnitees"), harmless against and from all liability, demands, claims, actions or causes of action, assessments, losses, fines, penalties, costs, damages and expenses, including reasonable attorneys' fees, disbursements and expenses (collectively, "Damages"), sustained or incurred by any of the Purchaser Indemnitees as a result of, arising out of or by virtue of any misrepresentation, breach of any warranty or representation, or non-fulfillment of any agreement or covenant on the part of Company or any of the Shareholders, whether contained in this Agreement or any exhibit or schedule hereto or in any closing document delivered by Company or any of the Shareholders to Purchaser in connection herewith. Subject to the provisions of this Article VIII, Purchaser shall be entitled to offset the Notes for any Damages incurred by Purchaser; provided, however, that Damages incurred solely by breach by a specific Shareholder may only be offset against such Shareholder's Note. In no event shall a Shareholder be liable for the violation of section 6.3 by another Shareholder.

Notwithstanding anything set forth in this Article VIII or this Agreement, no claim, demand, suit or cause of action shall be brought against Shareholders nor shall any Shareholder be liable for any Damages under this Article VIII or Agreement unless and until the aggregate amount of Damages under this Article VIII or Agreement exceeds one hundred fifty thousand dollars (\$150,000), in which event Purchaser shall be entitled to indemnification from the Shareholders for any and all Damages in excess of \$150,000, with the aggregate liability with respect to any one Shareholder limited to six million dollars (\$6,000,000) times the percentage ownership interest of such Shareholder in the Company immediately prior to the Closing Date. Notwithstanding the foregoing, the aggregate liability of the Shareholders under this Article VIII or this Agreement for all Damages arising out of, or related to or involving fraud or willful misrepresentation or the actual amount (determined in accordance with GAAP and prepared on the proforma basis described in Section 5.3(e)) of the proforma assets, proforma net income, proforma net income before income taxes or proforma equity of Miraglia, Inc. for the periods and dates indicated in Section 5.3 (e) being less than ten percent (10%) of the amount of such proforma assets, proforma net income, proforma net income before income taxes or proforma equity of Miraglia, Inc. reflected on the proforma financial statements of Miraglia, Inc. as of such dates and for such periods attached as Exhibit M shall not exceed the purchase price set forth in Article II, which in any event shall not be deemed to exceed ten million dollars (\$10,000,000) with the aggregate liability with respect to any one Shareholder limited to the total consideration received by such Shareholder.

Damages shall be determined after taking into account (a) the amount of actual tax benefit realized in the form of a refund or a reduction in taxes otherwise payable or actual tax detriment inuring to or incurred by Purchaser arising from the facts and circumstances giving rise to such Damages after such benefit is realized and (b) any insurance proceeds received by Purchaser on account of such Damages after such proceeds are realized.

8.2 Tax Indemnity. (a) The Shareholders hereby agree to pay, indemnify, defend and hold Purchaser and Company harmless from and against any and all Taxes of Company with respect to any period (or any portion thereof) up to and including June 3, 1998, except for any California sales tax which may be due by reasons of the transactions contemplated by this Agreement and Taxes of Company which are reflected as current liabilities for taxes on the balance sheet dated May 31, 1998 ("Closing Balance Sheet"), together with all reasonable legal fees, disbursements and expenses incurred by Purchaser and Company in connection therewith.

(b) Shareholders shall prepare and file any Return of Company which is required to be filed after the Closing Date and which relates to any period (or portion thereof) up to and including June 3, 1998, and Shareholders shall, within thirty (30) days prior to the due date of any such Return, deliver a draft copy to the Purchaser. Within fifteen (15) days of the receipt of any such Return, the Purchaser may reasonably request changes, in which event Purchaser and the Shareholders shall attempt to agree on a mutually acceptable resolution of the issues in dispute. If a resolution is reached, such Return shall be filed in accordance therewith. If a resolution is not reached, then at the expense of Purchaser and the Shareholders (such expense to be shared equally), such Return shall be submitted to a firm of independent certified public accountants selected by Purchaser and reasonably acceptable to the Shareholders, which shall be directed to resolve the issues in dispute and prepare the Return for filing. As soon as is practicable after notice from Purchaser to the Shareholders at any time prior to the date any payment for Taxes attributable to any such Return is due, provided such Return is prepared for filing in accordance with the foregoing, an amount equal to the excess, if any, of (i) Taxes that are due with respect to any taxable period pending on or before the Closing Date, or taxes that would have been due with respect to a taxable period beginning before and ending after the Closing Date if such period

had ended on the Effective Time over (ii) the amount of such Taxes of Company with respect to such taxable period which are reflected as Current Tax Liabilities on the Closing Balance Sheet shall be promptly paid by the Shareholders to Purchaser or Company.

(c) The indemnity provided for in this Section 8.2 shall be independent of any other indemnity provision hereof except as limited by Section 8.1 above.

8.3 Conditions of Indemnification Pursuant to Section 8.1. (a) Promptly following the receipt by a Purchaser Indemnitee of notice of a demand, claim, action, assessment or proceeding made or brought by a third party, including a governmental agency (a "Third Party Claim"), the Purchaser Indemnitee receiving the notice of the Third Party Claim (i) shall notify the Shareholders in writing of its existence, setting forth the facts and circumstances of which such Purchaser Indemnitee has received notice, and (ii) if the Purchaser Indemnitee giving such notice is a person entitled to indemnification under this Article VIII (an "Indemnified Party"), specifying the basis hereunder upon which the Indemnified Party's claim for indemnification is asserted.

(b) The Indemnified Party shall, upon reasonable notice by the Shareholders, tender the defense of a Third Party Claim to the Shareholders. If the Shareholders accept responsibility for the defense of a Third Party Claim, then the Shareholders shall have the exclusive right to contest, defend and litigate the Third Party Claim and shall have the exclusive right, in their discretion exercised in good faith and upon the advice of counsel, to settle any such matter, either before or after the initiation of litigation, at such time and upon such terms as they deem fair and reasonable, provided that at least ten (10) days prior to any such settlement, they shall give written notice of their intention to settle to the Indemnified Party. The Indemnified Party shall have the right to be represented by counsel at its own expense in any defense conducted by the Shareholders.

(c) Notwithstanding the foregoing, in connection with any settlement by the Shareholders, no Indemnified Party shall be required to (1) enter into any settlement (A) that does not include the delivery by the claimant or plaintiff to the Indemnified Party of a release from all liability in respect of such claim or litigation, (B) if the Indemnified Party shall, in writing to the Shareholders within the ten (10) day period prior to such proposed settlement disapprove of such settlement proposal and desire to have the Shareholders tender the defense of such matter back to the Indemnified Party, or (C) that requires an Indemnified Party to take any affirmative actions as a condition of such settlement, or (2) consent to the entry of any judgment that does not include a full dismissal of the litigation or proceeding against the Indemnified Party with prejudice; provided, however, that should the Indemnified Party disapprove of a settlement proposal pursuant to Clause (B) above, the Indemnified Party shall thereafter have all of the responsibility for defending, contesting and settling such Third Party Claim but shall not be entitled to indemnification by the Shareholders to the extent that, upon final resolution of such Third Party Claim, the Shareholders' liability to the Indemnified Party but for this provision exceeds what the Shareholders' liability to the Indemnified Party would have been if the Shareholders were permitted to settle such Third Party Claim in the absence of the Indemnified Party exercising its right under Clause (B) above.

(d) If, in accordance with the foregoing provisions of this Section 8.3, an Indemnified Party shall be entitled to indemnification against a Third Party Claim, and if the Shareholders shall fail to accept the defense of a Third Party Claim which has been tendered in accordance with this Section 8.3, the Indemnified Party shall have the right, without prejudice to its right of indemnification hereunder, in its discretion exercised in good faith and upon the advice of counsel, to contest, defend and litigate such Third Party Claim, and may settle such Third Party Claim, either before or after the initiation of litigation, at such time and upon such terms as the Indemnified Party deems fair and reasonable, provided that at least ten (10) days prior to any such settlement, written notice of its intention to settle is given to the Shareholders. If, pursuant to this Section 8.3, the Indemnified Party so defends or settles a Third Party Claim for which it is entitled to indemnification hereunder, as hereinabove provided, the Indemnified Party shall be reimbursed by the Shareholders for the reasonable attorneys' fees and other expenses of defending the Third Party Claim which are incurred from time to time, forthwith following the presentation to the Shareholders of itemized bills for said attorneys' fees and other expenses. No failure by the Shareholders to acknowledge in writing their indemnification obligations under this Article VIII shall relieve them of such obligations to the extent they exist.

8.4 Certain Tax and Other Matters. (a) If, in connection with the audit of any Return, a proposed adjustment is asserted in writing with respect to any Taxes of Company for which the Shareholders are required to indemnify Purchaser pursuant to Section 8.2(a) hereof, Purchaser shall notify the Shareholders of such proposed adjustment within ten (10) days after the receipt thereof. Upon notice to Purchaser within ten (10) days after receipt of the notice of such

proposed adjustment from Purchaser, the Shareholders may assume (at the Shareholders' own cost and expense) control of and contest such proposed adjustment.

(b) Alternatively, if the Shareholders request within ten (10) days after receipt of notice of such proposed adjustment from Purchaser, Purchaser shall contest such proposed adjustment. The Shareholders shall be obligated to pay all reasonable out-of-pocket costs and expenses (including legal fees and expenses) which Purchaser may incur in so contesting such proposed adjustment as such costs and expenses are incurred, and Purchaser shall have the full right to contest such proposed adjustment and shall be entitled to settle or agree to pay in full such proposed adjustment (in its sole discretion) and thereafter pursue its rights under this Agreement. The Shareholders shall pay to Purchaser all indemnity amounts in respect of any such proposed adjustment within thirty (30) days after written demand to the Shareholders therefor, or, if the Shareholders have assumed control of the contest of such proposed adjustment as provided above (or has requested Purchaser or Subsidiary to contest such proposed adjustment within the time provided above), within thirty (30) days after such proposed adjustment is settled or a Final Determination has been made with respect to such proposed adjustment.

(c) For purposes of this Section 8.4, a "Final Determination" shall mean (i) the entry of a decision of a court of competent jurisdiction at such time as an appeal may no longer be taken from such decision or (ii) the execution of a closing agreement or its equivalent between the particular taxpayer and the Internal Revenue Service, as provided in Section 7121 and Section 7122, respectively, of the Code, or a corresponding agreement between the particular taxpayer and the particular state or local taxing authority. The obligation of the Shareholders to make any indemnity payment pursuant to Section 8.2(a) shall be premised on the receipt by the Shareholders from Purchaser of a written notice setting forth the relevant portion of any Final Determination, and in cases where the amount of the indemnity payment exceeds \$1,000, a certified statement by a nationally recognized accounting firm setting forth the amount of the indemnity payment (and in all other cases, a similar statement certified by the chief financial officer of Purchaser) and describing in reasonable detail the calculation thereof.

8.5 Certain Information. Purchaser, the Shareholders and Company agree to furnish or cause to be furnished to each other (at reasonable times and at no charge) upon request as promptly as practicable such information (including access to books and records) pertinent to Company and assistance relating to Company as is reasonably necessary for the preparation, review and audit of financial statements, the preparation, review, audit and filing of any Tax Return, the preparation for any audit or the prosecution or defense of any claim, suit or proceeding relating to any proposed adjustment or which may result in the Shareholders being liable under the indemnification provisions of this Section 8.5, provided, that access shall be limited to items pertaining solely to Company. The Shareholders shall grant to Purchaser access to all Tax Returns filed with respect to Company.

8.6 Release by The Shareholders. Each of the Shareholders hereby releases and discharges Purchaser and Company and each of its officers and directors from and agrees and covenants that in no event will any of the Shareholders commence any litigation or other legal or administrative proceeding against, Purchaser, Company or any of their respective officers or directors, whether in law or equity, relating to any and all claims and demands, known and unknown, suspected and unsuspected, disclosed and undisclosed, for damages, actual or consequential, past, present and future, arising out of or in any way connected with his ownership or alleged ownership of capital stock of Company prior to the Closing Date, other than claims or demands arising out of or related to the transactions contemplated by this Agreement.

ARTICLE IX
TERMINATION, AMENDMENT AND WAIVER

9.1 Termination. This Agreement may be terminated at any time prior to the Closing Date, whether before or after approval by the board of directors of Company:

(a) By mutual consent of Purchaser, the Company and the Shareholders; or

(b) By Purchaser or a majority in interest of the Shareholders if (i) the Purchase shall not have been consummated on or before July 31, 1998 (the "Termination Date"), (ii) any governmental or regulatory body, the consent of which is a condition to the obligations of Purchaser and Company to consummate the transactions contemplated hereby or by this Agreement, shall have determined not to grant its consent and all appeals of such determination shall have been taken and have been unsuccessful, or (iii) any court of competent jurisdiction in the United States or any State shall have issued an order, judgment or decree

(other than a temporary restraining order) restraining, enjoining or otherwise prohibiting the Purchase and such order, judgment or decree shall have become final and nonappealable.

9.2 Effect of Termination. In the event of termination of this Agreement by either Purchaser or Company and Shareholders, as provided in Section 9.1, this Agreement shall forthwith become void and there shall be no liability on the part of either Shareholders, Company, Purchaser or their respective officers or directors. Nothing in this Section 9.2 shall relieve any party from liability for any breach of this Agreement.

9.3 Amendments and Waivers. The parties may mutually amend any provision of this Agreement at any time prior to the Closing Date with the prior authorization of their respective boards of directors and a majority in interest of the Shareholders; provided, however, that any amendment effected subsequent to stockholder approval will be subject to the restrictions contained in the California General Corporation Law. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Company, Purchaser and a majority in interest of the Shareholders. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

ARTICLE X
MISCELLANEOUS

10.1 Survival of Representations and Warranties. All representations, warranties, covenants and agreements made by any party in this Agreement or pursuant hereto shall survive the Purchase until June 4, 2001, except for the representations, warranties, covenants and agreements contained in Sections 5.3(i), 5.3(k), 6.3, 6.5, 6.6, 6.7 and 8.2 of this Agreement and the exhibits to this Agreement to the extent such obligations continue beyond June 4, 2001 which shall survive the Purchase until the expiration of the applicable statutes of limitations with respect to such matters. All claims made by Purchaser by virtue of any such representations, warranties, covenants and agreements shall be made under, and subject to the limitations set forth in, Article VIII hereof within the periods set forth above.

10.2 Press Releases and Public Announcements. No party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other parties; provided, however, that any party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing party will use its reasonable best efforts to advise the other party prior to making the disclosure.

10.3 Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then three (3) business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to the Company:	Miraglia, Inc. 690 East Lamar, Suite 400 Arlington, Texas 76011
If to the Shareholders:	c/o Blake A. Miraglia 2725 Yuma Court Walnut Creek, California 94598
Copy to:	Donald C. Reinke Pezzola & Reinke 1999 Harrison Street, Suite 1300 Oakland, California 94612
If to the Purchaser:	First Cash, Inc. 690 East Lamar, Suite 400 Arlington, Texas 76011 Attn: Rick L. Wessel
Copy to:	William D. Ratliff, III Haynes and Boone, L.L.P. 201 Main Street, Suite 2200 Fort Worth, Texas 76102

Any party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other parties notice in the manner herein set forth.

10.4 Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement among the parties and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, to the extent they related in any way to the subject matter hereof (except for any existing confidentiality agreements).

10.5 Non-Waiver. The failure of any party to insist upon performance of any terms, covenants or conditions shall not be construed as a subsequent waiver of any such terms, covenants, or conditions.

10.6 Counterparts. This Agreement may be executed in one or more counterparts each of which shall be deemed an original.

10.7 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

10.8 Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of California without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of California.

10.9 Venue. Venue for any controversy or claim arising out of this Agreement shall lie in Tarrant County, Texas except as otherwise specified in an exhibit hereto, which venue in such exhibit shall govern and control with respect to that particular instrument.

10.10 Succession and Assignment. Agreement shall be binding upon and inure to the benefit of the parties named herein and their respective successors and permitted assigns. No party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other parties.

10.11 Attorneys Fees. In the event of any legal proceedings relating to this Agreement, the prevailing party shall be entitled to reasonable attorney's fees.

10.12 Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

10.13 Expenses. The Shareholders will bear all their own costs and expenses (including legal fees and expenses) in excess of \$5,000 in the aggregate incurred in connection with this Agreement and the transactions contemplated hereby.

In witness whereof, the parties have executed this Asset and Stock Purchase Agreement on the date first above written.

PURCHASER:

FIRST CASH, INC., a Delaware corporation

By: RICK L. WESSEL, CFO

Rick L. Wessel, Chief Financial Officer

COMPANY:

MIRAGLIA, INC., a California corporation

By: BLAKE A. MIRAGLIA

Blake A. Miraglia, President

SHAREHOLDERS:

BLAKE A. MIRAGLIA

Blake A. Miraglia, individually and as
trustee of the Blake Miraglia Trust
U/A 5/30/87

STEPHEN R. MIRAGLIA

Stephen R. Miraglia, individually and as
trustee of the Stephen R. Miraglia
Trust U/A 5/28/87

BRUCE MYERS

Bruce Myers

PAULETTE MYERS

Paulette Myers

GARY VANIER

Gary Vanier, individually and as trustee
of the Gary V. Vanier and Barbara
D. Vanier 1992 Trust U/A 6/30/92

BARBARA D. VANIER

Barbara D. Vanier, individually and as
trustee of the Gary V. Vanier and
Barbara D. Vanier 1992 Trust U/A
6/30/92

JIMMY SEALE

Jimmy Seale